THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shun Tak Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Shun Tak Holdings Limited.

信德集團

SHUN TAK HOLDINGS

SHUN TAK HOLDINGS LIMITED
信德集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 242)

Website: http://www.shuntakgroup.com

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE SALE SHARES IN THE TARGET COMPANY

Capitalised terms used on this cover page have the same meaning as defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 12 of this circular.

The Acquisition has been approved by Written Approval from a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information purposes only.

26 August 2020

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"A Fund"	the properties and the assets of the Target Group representing or derived from or attributable to the Properties which are beneficially owned by the A Shares
"A Shares"	Class A shares in the capital of the Target Company
"Acquisition"	the acquisition of the Sale Shares and the Shareholder's Loan by the Buyer from the Vendor pursuant to the terms and conditions of the Agreement
"Actual Net Asset Value"	HK$2,387,204,337, being the pro-rata share of the net asset value attributable to the Sale Shares as at the date of Completion calculated in accordance with the Agreement with reference to the Completion Accounts in which the value of the Properties attributable to the A Fund is the agreed property value of HK$4,668,000,000 and being the Total Consideration
"Agreement"	the sale and purchase agreement dated 29 June 2020 entered into between the Buyer, the Company and the Vendor in respect of the Acquisition
"Announcement"	the announcement of the Company dated 29 June 2020 in relation to, among others, the Acquisition
"B Fund"	the assets of the Target Company which are beneficially owned by the B Shares
"B Shares"	Class B shares in the capital of the Target Company
"Base Consideration"	HK$2,361,195,928
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning Number 8 or above or a "black" rain warning signal is hoisted in Hong Kong at any time between 9 a.m. and 5 p.m.) on which Hong Kong clearing banks are open for the transaction of normal banking business
"Buyer"	Pleasant Grace Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"C Fund"	the assets of the Target Company which are beneficially owned by the C Shares
"C Properties"	10th floor, units 1113-1115 on the 11th floor, 12th floor, 14th floor, 16th floor, 20th floor and 24th floor of China Merchants Tower, Shun Tak Centre in Central, Hong Kong

"C Shares"	Class C shares in the capital of the Target Company
"Company"	Shun Tak Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 242)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Completion Accounts"	the consolidated statement of financial position of the A Fund and the B Fund as at the date of Completion prepared in accordance with the terms of the Agreement
"Completion Date"	30 June 2020
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	independent third party(ies) not connected with the Company or its connected persons
"Latest Practicable Date"	24 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Post-Completion Adjustment"	HK$26,008,409, being the adjustment to the Total Consideration with reference to the Actual Net Asset Value and the Base Consideration, details of which are set out in the section headed "Post-Completion Adjustment" in the "Letter from the Board" in this circular
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Properties"	being (i) certain units on the basement and the ground floor to the 4th floor and flat roofs on the 4th, 7th and 8th floors of Shun Tak Centre (Podium); (ii) 81 car parking spaces on the 5th and 6th floors, Shun Tak Centre; and (iii) the whole of 38th floor (except units nos. 3807-3811 on 38th floor) of West Tower and car park nos. 15, 16, 17 and 18 on the 6th floor together with their respective adjoining spaces, if any, Shun Tak Centre located at 168-200 Connaught Road Central, Hong Kong

"Sale Shares"	450 A Shares and 450 B Shares, representing 45% and 100% of the total issued A Shares and B Shares as at the Latest Practicable Date, respectively
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Shareholders' Agreement"	the shareholders' agreement entered into by the Target Company and its shareholders
"Shareholder's Loan"	the amount due to the Vendor by the Target Company under A Fund based on the unaudited consolidated management accounts of the Target Group as at 30 April 2020
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Shun Tak Centre Limited, a company incorporated under the laws of Hong Kong with limited liability
"Target Group"	the Target Company and its subsidiaries
"Total Consideration"	the Base Consideration, subject to the Post-Completion Adjustment
"Vendor"	New World Hotels (Holdings) Limited, a company incorporated in Hong Kong with limited liability
"Written Approval"	the written shareholders' approval obtained by the Company in relation to the Acquisition pursuant to Rule 14.44 of the Listing Rules
"%"	per cent.

In this circular, unless the context otherwise requires, the terms "applicable percentage ratio", "associate(s)", "close associate(s)", "connected person(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments.

* *For identification purposes only*

信德集團

SHUN TAK HOLDINGS

SHUN TAK HOLDINGS LIMITED
信德集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 242)
Website: http://www.shuntakgroup.com

Directors:
Ms. Pansy Ho *(Group Executive Chairman and Managing Director)*
Mr. Norman Ho*
Mr. Charles Ho*
Mr. Michael Wu*
Mr. Kevin Yip*
Ms. Daisy Ho *(Deputy Managing Director)*
Ms. Maisy Ho
Mr. David Shum
Mr. Rogier Verhoeven

* *Independent Non-Executive Director*

Registered Office:
Penthouse 39th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

26 August 2020

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE SALE SHARES IN THE TARGET COMPANY

INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition. On 29 June 2020, the Buyer (an indirect wholly-owned subsidiary of the Company), the Company (as guarantor of the Buyer) and the Vendor entered into the Agreement, pursuant to which, amongst others, the Buyer conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares and the Shareholder's Loan for the Base Consideration of HK$2,361,195,928 (subject to the Post-Completion Adjustment) in accordance with the terms and conditions of the Agreement. The Sale Shares, being 450 A Shares and 450 B Shares, shall be entitled to a pro rata share of the profits and net assets of the Target Group attributable to or comprised in the A Fund, which comprises the Properties situated in Central, Hong Kong, and B Fund, respectively.

The purpose of this circular is to provide you with, among other things, further information in relation to the Acquisition and such other information as required under the Listing Rules.

The principal terms of the Agreement are set out as follows:

THE AGREEMENT

Date

29 June 2020

Parties

(1) the Buyer, an indirect wholly-owned subsidiary of the Company;

(2) the Company, as guarantor of the Buyer; and

(3) the Vendor.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate holding company, are Independent Third Parties.

Subject matter

The Buyer conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, being 450 A Shares and 450 B Shares, in the Target Company and the Shareholder's Loan in accordance with the terms and subject to the conditions of the Agreement. For details of the Sale Shares, please refer to the section headed "Information on the Target Company and the Properties" below.

The Company agreed to unconditionally and irrevocably guarantee to the Vendor the performance of the Buyer of its obligations and liabilities under the Agreement.

Consideration

The total consideration for the Acquisition was of a base amount of HK$2,361,195,928 (the "**Base Consideration**") comprising the base consideration for the Sale Shares of HK$2,337,609,400 (the "**Base Consideration for the Sale Shares**"), subject to the Post-Completion Adjustment, and the Shareholder's Loan of HK$23,586,528. The Total Consideration shall be payable by the Buyer to the Vendor as follows:

(a) a sum of HK$779,203,133, representing approximately 33% of the Base Consideration for the Sale Shares, has been paid by the Buyer to the Vendor on the Completion Date after deducting the Vendor's share of estimated stamp duty relating to the transfer of the Sale Shares;

(b) a sum of HK$779,203,133, representing approximately 33% of the Base Consideration for the Sale Shares, shall be payable by the Buyer to the Vendor on or before 30 June 2021 (the "**Second Payment**") after deducting, if applicable, the Vendor's share of any fees, costs or expenses relating to the transfer of the Sale Shares; and

(c) the remaining balance of the Base Consideration for the Sale Shares after adjusting for the Post-Completion Adjustment, where applicable (the "**Third Payment**"), and the Shareholder's Loan shall be paid by the Buyer to the Vendor on or before 30 June 2022.

In addition, the Buyer shall (i) pay a sum calculated at a rate of 2% per annum on the amount of the Base Consideration for the Sale Shares comprised in each of the Second Payment and the Third Payment in respect of the period from the Completion Date up to their respective actual date of payment (the "**Deferred Amount**"), the estimated amount of which is approximately HK$47.8 million, in one lump sum at the time when the Third Payment is made; and (ii) execute a share charge of 300 A Shares in favour of the Vendor, as security for payment of the Second Payment, the Third Payment and the Deferred Amount.

Post-Completion Adjustment

Pursuant to the Agreement, as soon as practicable after Completion, an accounting firm shall be appointed to audit the Completion Accounts in accordance with procedures agreed between the Vendor and the Buyer for the purpose of computation of the Actual Net Asset Value. If the Actual Net Asset Value is:

(a) greater than the Base Consideration, the Buyer shall pay to the Vendor an amount equal to the difference, subject to a maximum amount of HK$50,000,000;

(b) less than the Base Consideration, the Vendor shall pay to the Buyer an amount equal to the difference, subject to a maximum amount of HK$50,000,000; or

(c) equal to the Base Consideration, no adjustment is required.

As at the Latest Practicable Date, the Completion Accounts have been audited and the Actual Net Asset Value of HK$2,387,204,337 has been determined and agreed upon by the Vendor and the Buyer. As such, the Post-Completion Adjustment is HK$26,008,409, being the difference between the Actual Net Asset Value and the Base Consideration, which shall be taken into account in computing the amount of the Third Payment.

Basis of the Base Consideration

The Base Consideration for the Sale Shares was determined after arm's length negotiations between the Buyer and the Vendor, and with reference to a number of factors including but not limited to the relevant proportion of (a) the appraised and agreed value of the Properties attributable to the A Fund by an independent professional valuer of HK$4,747,000,000 and HK$4,668,000,000 respectively; (b) the other assets of HK$842,785,009 and liabilities of HK$316,107,454 attributable to the A Fund based on the unaudited consolidated management accounts of the Target Group as at 30 April 2020; and (c) the cash held by the B Fund of HK$4,500 representing the net asset value attributable to the B Fund as of the date of the Agreement.

The Shareholder's Loan of HK$23,586,528 was the amount due to the Vendor by the Target Company under A Fund based on the unaudited consolidated management accounts of the Target Group as at 30 April 2020.

Conditions Precedent

Completion is conditional on the fulfilment of the following conditions on or before the Completion Date:

(a) the Vendor's warranties as set out in the Agreement remaining true and accurate and not misleading in material respect as if they were repeated immediately prior to Completion by reference to the facts and circumstances then existing; and

(b) approval having been obtained from the Shareholders for approving the Agreement and the transactions contemplated thereunder, if such approval is required under the Listing Rules.

Neither the Vendor nor the Buyer shall have the right to waive the condition as set out in paragraph (b). The Buyer may at its discretion waive the condition as set out in paragraph (a) above by notice in writing to the Vendor.

Completion

As all of the conditions precedent has been satisfied on or before 30 June 2020, Completion took place on 30 June 2020. Upon Completion, the Buyer, the Vendor, the Target Company and the existing shareholders of the Target Company has entered into a deed of adherence to the Shareholders' Agreement in relation to the substitution of the rights and obligations of the Vendor under the Shareholders' Agreement with regard to the Sale Shares by the Buyer with effect from Completion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

With over 30 years of experience as the leasing and property manager of the retail podium of Shun Tak Centre, the Group possesses requisite industry expertise and market knowledge to develop an optimal tenant mix for the retail portion at Shun Tak Centre which is crucial to maximize the potential value of such property. The Acquisition would therefore offer the Group an opportunity to capture a steady recurring rental income, as well as to capture long-term potential capital growth in retail properties located in a prime area of Hong Kong.

Taking into consideration the reasons for and benefits of the Acquisition to the Company, the Directors are of the view that the terms of the Agreement and the transactions contemplated therein, including the basis of calculation of the Base Consideration which has been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors has any material interest in the Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolutions approving the Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES AND THE TARGET COMPANY

Information on the Company and the Buyer

The Company is an investment holding company and its subsidiaries are engaged in a number of business activities including property development, investment and management, hospitality, transportation and investment.

The Buyer is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company. The Buyer is principally engaged in investment holding.

Information on the Vendor

The Vendor is a company incorporated under the laws of Hong Kong with limited liability. The Vendor is principally engaged in property investment and investment holding. As at the Latest Practicable Date, the Vendor is an indirect wholly-owned subsidiary of New World Development Company Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 17).

Information on the Target Company and the Properties

The Target Company is a company incorporated under the laws of Hong Kong with limited liability. As at the Latest Practicable Date, the issued share capital of the Target Company comprises 1,000 A Shares, 450 B Shares and 550 C Shares. Upon completion of the Acquisition, the Company (through the Buyer) holds 55%, 100% and 0% interests in the total issued A Shares, the total issued B Shares and the total issued C Shares, which aggregate to 50% of the total issued share capital of the Target Company. The Target Company will not become a subsidiary of the Company.

According to the articles of association of the Target Company, the A Fund of the Target Company is appropriated exclusively to the holders of A Shares, the B Fund of the Target Company is appropriated exclusively to the holder of B Shares and the C Fund of the Target Company is appropriated exclusively to the holders of C Shares. Each of these funds is operated and maintained by the Target Company, separate and distinct from the other funds for which purpose separate records and books of account are maintained in respect of each fund.

Hence, the Sale Shares, being 450 A Shares and 450 B Shares, together with the 100 A Shares originally held by the Buyer, shall be entitled to the pro rata share of the respective profits and net assets of the Target Group attributable to or comprised in the A Fund and the B Fund. As at the Latest Practicable Date, (i) the A Fund comprised the Properties and the assets of the Target Group representing or derived from or attributable to the Properties, consisting of certain retail shops, office units and car parking spaces at Shun Tak Centre in Central, Hong Kong; and (ii) the B Fund mainly comprised cash of HK$4,500.

As at the Latest Practicable Date, the C Fund mainly comprises the C Properties and assets derived from or attributable to the C Properties. As at the Latest Practicable Date, Sociedade de Turismo e Diversões de Macau, S.A. ("**STDM**") held 450 A Shares and 450 C Shares, representing 45% and approximately 81.8% of the total issued A Shares and C Shares respectively. STDM is an investment holding company in which the Group holds approximately 15.7% effective interest.

Pursuant to the Shareholders' Agreement, the board of directors of the Target Company shall comprise a maximum of nine directors, of which five directors and four directors shall be nominated by the Buyer and STDM, respectively. Each of the Buyer or STDM is entitled to remove any director of the Target Company appointed by it, respectively, and to appoint another director in place. Save for (i) matters in relation to each of B Fund and C Fund, which shall be approved by directors nominated by the holders of B Shares and the holders of C Shares respectively, and (ii) certain reserved matters including but not limited to any proposed change in authorised or issued share capital and the transfer of the shares in the Target Company to any third party, which shall be approved by all shareholders, the management of the Target Company shall be vested in the board of directors of the Target Company.

In the event of liquidation of the Target Company, any surplus assets of each of A Fund, B Fund and C Fund remaining after the payment of their respective liabilities shall be distributed exclusively amongst the holders of A Shares, B Shares and C Shares in proportion to their respective shareholding of A Shares, B Shares and C Shares, respectively.

As at the Latest Practicable Date, the board of the Target Company comprises five directors, of which three are nominated by the Buyer and the other two are nominated by STDM.

Financial information of the A Fund and the B Fund and the Target Group as a whole

Set out below is the financial information of the Target Group based on the consolidated accounts of the A Fund and the accounts of the B Fund and the consolidated accounts of the Target Group:

	For the year ended 30 June 2019 (audited) *HK$ millions*	**For the year ended 30 June 2018 (audited)** *HK$ millions*
Net profit before taxation attributable to the A Fund and the B Fund	302.5	825.3
Net profit before taxation of the Target Group as a whole	656.4	2,172.5
Net profit after taxation attributable to the A Fund and the B Fund	270.9	794.3
Net profit after taxation of the Target Group as a whole	608.4	2,125.6

Based on the unaudited consolidated management accounts of the Target Group as at 30 April 2020, the total assets attributable to the A Fund and the B Fund and the Target Group as a whole were approximately HK$6,169 million and approximately HK$10,805 million, respectively, and the net asset value attributable to the A Fund and the B Fund and the Target Group as a whole were approximately HK$5,853 million and approximately HK$10,423 million, respectively.

Immediately before completion of the Acquisition, the Group held 10% of the total issued A Shares. Upon completion of the Acquisition, the Group holds 55% of the total issued A Shares and 100% of the total issued B Shares.

FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, the Company, through the Buyer, holds 55% of the total issued A Shares, 100% of the total issued B Shares and none of the total issued C Shares in the Target Company. The Target Company will not become a subsidiary of the Company and the financial results of the Target Company will not be consolidated into that of the Group, but the Company's interests in the Target Company will be accounted for using the equity method of accounting in the consolidated financial statements of the Group. For details of the unaudited pro forma financial information of the Enlarged Group, please refer to Appendix IV to this circular.

Assets and liabilities

Based on the unaudited pro forma financial information as set out in Appendix IV to this circular, assuming that the Completion had taken place on 31 December 2019, the total assets of the Group would have increased from approximately HK$65,328.8 million to approximately HK$66,972.4 million on a pro forma basis, whereas the total liabilities of the Group would have increased from approximately HK$24,868.2 million to approximately HK$26,482.2 million on a pro forma basis.

Earnings

As set out in the Accountant's Report on historical financial information of the Target Company in Appendix II to this circular, prepared in accordance with the Hong Kong Financial Reporting Standards, for the year ended 30 June 2020, the revenue and net loss after taxation for A Fund were approximately HK$183.1 million and HK$673.4 million respectively and that for B Fund were nil and approximately HK$40,000, respectively.

Taking into account that the Group's interests in the Target Company will be accounted for under equity method of accounting and the financial results of the Target Company will not be consolidated into the financial statements of the Enlarged Group, the Company considers that there will not be a material effect on the profit or loss of the Enlarged Group immediately upon completion of the Acquisition.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceeds 25% but is less than 100%, the Agreement and the transactions contemplated thereunder constitute a major transaction for the Company, and are therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement and the transactions contemplated thereunder; and (b) a written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Agreement and the transactions contemplated thereunder. Therefore, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement and the transactions contemplated thereunder.

The Company has obtained the Written Approval from a closely allied group of Shareholders (details of their respective shareholding as set out below), who together held a total of 1,632,901,912 Shares (representing approximately 54.0% of the total number of shares in issue in the Company as at the date of the Agreement):

Name of Shareholder	Number of Shares held as at the Latest Practicable Date	Approximate percentage of shareholding
Ms. Pansy Ho	534,664,564	17.7%
Oakmount Holdings Limited ("**Oakmount**")[(1)]	396,522,735	13.1%
Shun Tak Shipping Company, Limited ("**ST Shipping**") and its subsidiaries[(2)]	373,578,668	12.4%
Ms. Daisy Ho	223,999,816	7.4%
Renita Investments Limited ("**Renita**")[(1)]	104,136,129	3.4%
Total	1,632,901,912	54.0%

Notes:

(1) Oakmount is a company wholly-owned by Renita. Ms. Pansy Ho and Ms. Daisy Ho, both being Directors, are directors of Renita and Oakmount and they both have beneficial interests in Renita and Oakmount.

(2) Ms. Pansy Ho and Ms. Daisy Ho are both directors of ST Shipping and they both have beneficial interests in ST Shipping and its subsidiaries.

RECOMMENDATION

The Directors are of the opinion that the terms of the Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as whole. If a general meeting were to be convened for the approval of the Acquisition, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Acquisition at such general meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to the circular.

Yours faithfully,
For and on behalf of the Board
Shun Tak Holdings Limited
Pansy Ho
Group Executive Chairman and Managing Director

FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three years ended 31 December 2019 are disclosed in the annual reports of the Company for each of the three years ended 31 December 2019; together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.shuntakgroup.com):

The audited consolidated financial statements of the Group for the year ended 31 December 2017 are set out on pages 88 to 185 in the Annual Report 2017 of the Company, which was published on 25 April 2018 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltn20180425297.pdf).

The audited consolidated financial statements of the Group for the year ended 31 December 2018 are set out on pages 100 to 197 in the Annual Report 2018 of the Company, which was published on 25 April 2019 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn20190425533.pdf).

The audited consolidated financial statements of the Group for the year ended 31 December 2019 are set out on pages 107 to 209 in the Annual Report 2019 of the Company, which was published on 27 April 2020 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700841.pdf).

INDEBTEDNESS OF THE GROUP

As at 30 June 2020, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had outstanding (i) bank borrowings of approximately HK$18,477.1 million comprising secured bank loans of approximately HK$9,192.1 million and unsecured bank loans of approximately HK$9,285.0 million; and (ii) unsecured loans from non-controlling interests of approximately HK$474.5 million. The secured bank loans was secured by charges on certain assets of the Group and shares of certain subsidiaries of the Group. The Group had not provided any guarantees in favour of the unsecured loans from non-controlling interests.

As at 30 June 2020, the Group had lease liabilities of approximately HK$82.0 million (including approximately HK$13.7 million lease liabilities under liabilities directly associated with assets held for sale), of which approximately HK$39.7 million was due within one year and approximately HK$42.3 million was due after one year.

The Group has provided guarantee to a third party in respect of the sum owing by a joint venture to the third party under a license agreement. As at 30 June 2020, the Group's share of such contingent liability amounted to approximately HK$20,000.

Saved as aforesaid, and apart from intra-group liabilities, the Group did not have any loan capital and/or debt securities issued and outstanding or agreed to be issued or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills, if any) or acceptable credits, debentures, mortgage, charges, hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30 June 2020.

WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, after taking into account the effects of the Acquisition, the internal financial resources and present banking facilities available to the Group, the Group will have sufficient working capital in the absence of unforeseen circumstances for its present requirements and for at least the next 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in a number of business activities including property development, investment and management, hospitality, transportation and investment. With respect to its property development and investment business, the Group has been identifying and exploring investment opportunities in different regions with a view to generating revenue and achieving better return for the Shareholders. Apart from expanding its property development and investment business in the PRC and Singapore during the past years, the Group also seeks to continue expanding its market share in such businesses in Hong Kong and Macau. The Acquisition is as such in line with the Group's business strategies and represents an attractive investment opportunity of the Group by leveraging on its extensive experience in leasing and managing the retail podium of Shun Tak Centre to develop an optimal tenant mix for the retail portion at Shun Tak Centre so as to maximize the potential value of such property. The Acquisition would therefore offer the Group an opportunity to capture a steady recurring rental income, as well as to capture long-term potential capital growth in retail properties located in a prime area of Hong Kong.

The Group is committed to delivering value to the Shareholders, maximizing business growth opportunities through efficient capital and asset allocations. The Directors are of the opinion that the Group is in a healthy financial position, allowing it to readily capture potential opportunities with long-term value potentials which may arise in the future. Meanwhile, the Group will continue to optimize its existing business portfolio and realise value through asset acquisitions and realizations while enhancing its corporate value.

In the year of 2019 and 2020, the Group faced multiple challenges due to various social conditions in Greater China, such as the political unrest in Hong Kong since June 2019 and the outbreak of COVID-19 since the end of 2019 and have continued to affect globally as of the date of this circular. As a result of the COVID-19 outbreak, the governments of, among others, Hong Kong, Macau and the PRC have implemented various contingency measures such as imposing travel restrictions and social distancing measures to contain such outbreak which adversely affect consumer sentiment, retail sales and tourism. Due to the COVID-19 epidemic, the Group's business operations may be affected by these unfavorable conditions.

Despite the challenging social environment, the Group shall continue to stay vigilant and adopt a pragmatic approach in our core businesses, while executing new projects along the pipeline to build new impetus for growth into the future. The Group will continue to focus on exploring opportunities with long-term value potentials in generating optimal returns for the Shareholders.

The following is the text of a report received from the Company's reporting accountant, Bruce C. Y. Chui & Co., Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Bruce C.Y. Chui & Co.

Chartered Accountants
Certified Public Accountants

Unit 1901, 19/F., Kai Tak Commercial Building,
317-319 Des Voeux Road Central, Hong Kong
Tel: 2150 5888 Fax: 3753 0050
E-mail: info@chuicpa.com

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHUN TAK HOLDINGS LIMITED

Introduction

We report on the historical financial information of SHUN TAK CENTRE LIMITED (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-3 to II-51, which comprises the consolidated statements of financial position as at 30 June 2018, 2019 and 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of Shun Tak Holdings Limited (the "**Company**") dated 26 August 2020 (the "**Circular**") in connection with the acquisition of 450 A Shares and 450 B Shares of the Target Company by the Company.

Directors' Responsibility for the Historical Financial Information

The Directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

The consolidated financial statements of the Target Group for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the Directors of the Company based on the previously issued consolidated financial statements of the Target Group for the Track Record Period. The Directors of the Target Company are responsible for the preparation of the Target Group's consolidated financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), as appropriate, and for such internal control as the Directors of the Target Company determine is necessary to enable the preparation of the Target Group's consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the consolidated financial position of the Target Group as at 30 June 2018, 2019 and 2020 and of its consolidated financial performance and consolidated cash flows of the Target Group for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Main Board of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Bruce C. Y. Chui & Co.
崔卓然會計師事務所
Certified Public Accountants
Hong Kong
26 August 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this Accountant's Report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited in accordance with Hong Kong Standard on Auditing issued by the HKICPA. See note 28 for more information.

The Historical Financial Information is presented in Hong Kong dollars except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE 2018, 2019 AND 2020

	Note	2018 HK$	2019 HK$	2020 HK$
Revenue	8	310,964,566	315,332,285	277,396,328
Other income	9	5,284,872	14,163,759	68,449,688
Fair value changes on investment properties	15	1,883,410,300	430,246,948	(1,233,400,000)
Operating and administrative expenses		(27,182,972)	(103,329,774)	(24,843,984)
(Loss)/profit before taxation	10	2,172,476,766	656,413,218	(912,397,968)
Income tax expenses	11	(46,885,326)	(48,048,415)	(49,247,529)
(Loss)/profit for the years		2,125,591,440	608,364,803	(961,645,497)
Other comprehensive income for the years		—	—	—
(Loss)/profit and total comprehensive income for the years attributable to the equity holders of the Target Company		2,125,591,440	608,364,803	(961,645,497)

The notes on pages II-7 to II-51 are an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018, 2019 AND 2020

	Note	2018 HK$	2019 HK$	2020 HK$
Non-current assets				
Property, plant and equipment	14	—	—	—
Investment properties	15	10,610,000,000	10,280,400,000	9,047,000,000
		10,610,000,000	10,280,400,000	9,047,000,000
Current assets				
Accounts and other receivables	16	26,966,140	24,244,762	37,816,108
Deposits and prepayments	16	6,544,810	4,478,865	5,267,881
Cash and bank balances	17	657,759,184	1,505,692,618	966,448,435
		691,270,134	1,534,416,245	1,009,532,424
Current liabilities				
Amounts owing to shareholders	18	191,511,234	100,761,234	86,430,864
Tenants' deposits		101,804,796	99,539,312	89,632,634
Accounts and other payables	19	57,728,999	54,368,570	9,121,417
Current tax liabilities		47,390,724	47,856,530	49,577,422
		398,435,753	302,525,646	234,762,337
Net current assets		292,834,381	1,231,890,599	774,770,087
Total assets less current liabilities		10,902,834,381	11,512,290,599	9,821,770,087
Non-current liabilities				
Deferred tax liabilities	20	103,909,291	105,000,706	108,063,084
NET ASSETS		10,798,925,090	11,407,289,893	9,713,707,003
Equity				
Share capital	21	110,000	110,000	110,000
Accumulated profits		10,798,815,090	11,407,179,893	9,713,597,003
TOTAL EQUITY		10,798,925,090	11,407,289,893	9,713,707,003

The notes on pages II-7 to II-51 are an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 30 JUNE 2018, 2019 AND 2020

	Attributable to the equity holders of the Target Company		
	Share capital	**Accumulated profits**	**Total**
	HK$	*HK$*	*HK$*
At 1.7.2017	110,000	8,739,223,650	8,739,333,650
Profit and total comprehensive income for the year	—	2,125,591,440	2,125,591,440
Dividend *(Note 13)*	—	(66,000,000)	(66,000,000)
At 30.6.2018 and 1.7.2018	110,000	10,798,815,090	10,798,925,090
Profit and total comprehensive income for the year	—	608,364,803	608,364,803
At 30.6.2019 and 1.7.2019	110,000	11,407,179,893	11,407,289,893
Loss and total comprehensive income for the year	—	(961,645,497)	(961,645,497)
Dividend *(Note 13)*	—	(731,937,393)	(731,937,393)
At 30.6.2020	110,000	9,713,597,003	9,713,707,003

The notes on pages II-7 to II-51 are an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 30 JUNE 2018, 2019 AND 2020

	Note	**2018** *HK$*	**2019** *HK$*	**2020** *HK$*
Cash flows from operating activities				
Cash generated from operations	*22(a)*	280,474,980	291,733,860	227,477,213
Income taxes paid		(40,055,625)	(46,491,194)	(44,464,259)
Net cash generated from operating activities		240,419,355	245,242,666	183,012,954
Cash flows from investing activities				
Payments for subsequent expenditures of investment properties		(4,589,700)	—	—
Sales proceeds of investment properties	*22(b)*	—	680,000,000	—
Interest received		4,160,135	13,440,768	24,010,626
Net cash generated from/(used in) investing activities		(429,565)	693,440,768	24,010,626
Cash flows from financing activities				
Repayment to shareholders		—	(90,750,000)	(14,330,370)
Dividend paid		(66,000,000)	—	(731,937,393)
Net cash used in financing activities		(66,000,000)	(90,750,000)	(746,267,763)
Net increase/(decrease) in cash and cash equivalents		173,989,790	847,933,434	(539,244,183)
Cash and cash equivalents at beginning of the years		483,769,394	657,759,184	1,505,692,618
Cash and cash equivalents at end of the years	*17*	657,759,184	1,505,692,618	966,448,435

The notes on pages II-7 to II-51 are an integral part of the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

SHUN TAK CENTRE LIMITED (the "**Target Company**") is a limited liability company incorporated in Hong Kong on 14 November 1972. The address of its registered office is Penthouse 39/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

The principal activities of the Target Company are property investment and investment holding. The principal activities of the subsidiaries are disclosed in note 24.

On 29 June 2020, Shun Tak Holdings Limited (the "**Company**") announced to acquire the 450 A Shares and 450 B Shares of the Target Company at a base purchase consideration of HK$2,361,195,928 (subject to adjustment), pursuant to the acquisition agreement entered into between the Company's wholly-owned subsidiary — Pleasant Grace Limited, as the Purchaser and New World Hotels (Holdings) Limited, as the Vendor (the "**Acquisition**"). The Acquisition was completed on 30 June 2020 (the "**Completion Date**").

2. BASIS OF PREPARATION

(a) These Historical Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair values.

(b) The preparation of the Historical Financial Information in conformity with HKFRSs required the use of certain critical accounting estimates. It also requires Directors of the Company to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

(c) For the years ended 30 June 2018, 2019 and 2020, the issued share capital of the Target Company comprises 1,000 A Shares, 450 B Shares and 550 C Shares.

According to the Articles of Association of the Target Company, the A Fund of the Target Company is appropriated exclusively to the holders of A Shares, the B Fund of the Target Company is appropriated exclusively to the holder of B Shares and the C Fund of the Target Company is appropriated exclusively to the holders of C Shares. Each of these funds is operated and maintained by the Target Company, separate and distinct from the other funds for which purpose separate records and books of account are maintained in respect of each fund.

As a result, these Historical Financial Information have been prepared to separately classify and identify the profit or loss, reserves, provisions, liabilities and assets attributable to owners of A Shares, B Shares and C Shares of the Target Company.

(d) The financial information relating to the years ended 30 June 2018, 2019 and 2020 included in the Historical Financial Information of the Target Company does not constitute the Target Company's statutory consolidated annual financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

(i) As the Target Company is not a public company, it is not required to deliver its consolidated financial statements to the Registrar of Companies as required by section 662 and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance (Cap. 622).

(ii) The Target Company's auditors have reported on the consolidated financial statements of the Target Company for the years ended 30 June 2018, 2019 and 2020. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and revised HKFRSs effective for the period up to 30 June 2020

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective starting from the current accounting period of the Target Group. Of these, the following developments are relevant to these Historical Financial Information:

HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over income tax treatments
Amendments to HKAS 28	Long-term interests in associates or joint ventures

Annual improvements to HKFRSs 2015-2017 Cycle

The adoption of these developments does not have significant impact on the Target Group's results and financial position of these Historical Financial Information.

HKFRS 16 — Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Given the Target Group does not have any material lease arrangements as a lessee (except for the leasehold land and properties which the Target Group is a registered owner of the ownership interests), the Target Group considers that there is no significant financial impact on the Target Group's results (including segment results), financial position and cash flows.

Further details of the nature and effect of the changes to previous accounting policies of the Target Group upon the adoption of HKFRS 16 are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The change in the definition of a lease does not have any material impact on the Target Group's lease arrangements.

(ii) Leasehold investment property

Under HKFRS 16, the Target Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Target Group's consolidated financial statements as the Target Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 30 June 2018, 2019 and 2020. Consequentially, these leasehold investment properties continue to be carried at fair values.

The Target Group has not adopted any new standard or interpretation that is not yet effective for the accounting period up to 30 June 2020.

(b) New and revised HKFRSs not yet effective for the year ended 30 June 2020

Up to the date of issue of these Historical Financial Information, the HKICPA has issued a number of amendments which are not yet effective for the year ended 30 June 2020 and which have not been adopted in these Historical Financial Information. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8, Definition of material	1 January 2020
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined by HKICPA

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Target Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been consistently applied to all the years presented in the Historical Financial Information, unless otherwise stated.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which the Target Group operates (the "**functional currency**"). The Historical Financial Information is presented in Hong Kong dollars, which is the functional and presentation currency of the Target Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates at the end of reporting period of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated profit or loss.

(b) Basis of consolidation

Results of subsidiaries are consolidated from the date of acquisition, being the date on which the Target Company obtains control, until the date such control ceases. All significant intercompany transactions and balances within the Target Company are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is an entity over which the Target Company has control. Control is achieved when the Target Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing whether the Target Company has power, only substantive rights are considered.

(d) Revenue recognition

(i) Rental income is recognised on a straight-line basis over the lease terms.

(ii) Interest income is recognised on a time-proportion basis on the principal outstanding and at the effective interest rate applicable.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost is depreciated over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method at 20% per annum.

The gain or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in consolidated profit or loss.

(f) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Such properties are not depreciated, and are measured initially at cost including transaction costs and thereafter stated at fair value, determined on the basis of professional valuation performed at the end of each reporting period. Any changes in fair value are recognised in consolidated profit or loss. A property interest under an operating lease which is held for the above purposes is classified and accounted for as an investment property.

Subsequent expenditure is included in the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Target Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the consolidated profit or loss during the financial period in which they are incurred.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be received. The gain or loss arising from the derecognition of an investment property is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in consolidated profit or loss.

(g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets at amortised costs

The Target Group initially measures a financial asset at amortised costs at its fair value plus transaction costs. Accounts receivable that do not contain a significant financing component are measured at the transaction price.

The Target Group measures financial assets at amortised cost if both of the following conditions are met:

(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognised in consolidated profit or loss. Gains and losses are recognised in consolidated profit or loss when the asset is derecognised, modified or impaired.

The Target Group's financial assets at amortised cost includes cash and cash equivalents, accounts and other receivables and deposits.

Derecognition of financial assets

A financial asset is primarily derecognised when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Target Group has transferred its rights to receive cash flows in a transaction in which the Target Group has transferred substantially all the risks and rewards of ownership of the asset or in which the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Target Group enters into transactions whereby it transfers its rights to receive cash flows from an asset, but retains substantially all of the risks and rewards of ownership or control of the transferred asset, the Target Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Impairment of financial assets

The Target Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments that are measured at financial assets measured at amortised costs.

ECLs are a probability-weighted estimate of credit losses, measured based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months after the end of reporting period (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses that result from all possible default events over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For account receivable, the Target Group applies a simplified approach in calculating ECLs. Therefore, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Target Group's historical experience and informed credit assessment and including forward-looking information.

Loss allowance for financial assets measured at amortised cost is deducted from the gross carrying amount of the assets.

The Target Group considers a financial asset in default when the Target Group is unlikely to receive the outstanding contractual amounts in full, without recourse by the Target Group to action such as realising the security (if any is held). A financial asset can be classified as in default but without an allowance for credit losses (i.e. no impairment loss is expected) after taking into account the value of collateral held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Write-offs can relate to a financial asset in its entirety, or to a portion of it, and constitute a derecognition event.

Financial liabilities at amortised costs

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. These include amounts owing to shareholders, tenants' deposits and accounts other payables and accruals. Interest expense and foreign exchange gains and losses are recognised in consolidated profit or loss. Any gain or loss on derecognition is also recognised in consolidated profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated profit or loss.

(h) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits and other short-term highly liquid investments with original maturities of three months or less.

(i) Current and deferred income tax

The tax expense for the years comprises current and deferred tax. Tax is recognised in consolidated profit or loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity. In this case, the tax is also recognised in the other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Impairment of non-financial assets

At the end of each reporting period, assets, other than financial assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. When an indication of impairment exists, the Target Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in consolidated profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss recognised in prior year for an asset is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined as if no impairment loss had been recognised. Reversals of impairment losses are credited to consolidated profit or loss.

(k) Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised as an income on a straight-line basis over the term of the relevant lease.

(l) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Fair value measurement

The Target Group measures its investment properties, at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of fair value of investment properties

The fair value of investment properties is determined by using income and market approaches. Details of the judgement and assumptions have been disclosed in Note 15. The fair values were based on the valuation on these properties conducted by professional valuers, which has knowledge on valuation of properties, using property valuation techniques which involve certain assumptions of market conditions. Given the heterogeneous nature of real estate properties, it may result in changes in the fair value of the Target Group's investment properties and corresponding adjustment to the amount of gain or loss recognised in consolidated profit or loss.

6. SEGMENT REPORTING

No segmental information for the years ended 30 June 2018, 2019 and 2020 (the "**Track Record Period**") is presented as the Target Group's revenue and operating results for the years were generated solely from its properties investment operation in Hong Kong.

7. FINANCIAL INFORMATION OF THE A FUND, B FUND AND C FUND OF THE TARGET GROUP AS A WHOLE

Below are the consolidated financial statements of A Fund, B Fund and C Fund for the Track Record Period together with the respective explanatory notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	A Fund	B Fund	C Fund	TOTAL
	HK$	*HK$*	*HK$*	*HK$*
Revenue	208,750,851	—	102,213,715	310,964,566
Other income	4,392,701	—	892,171	5,284,872
Fair value changes on investment properties	633,410,300	—	1,250,000,000	1,883,410,300
Operating and administrative expenses	(21,214,405)	(44,588)	(5,923,979)	(27,182,972)
Profit/(loss) before taxation	825,339,447	(44,588)	1,347,181,907	2,172,476,766
Income tax (expenses)/credit	(31,018,219)	7,357	(15,874,464)	(46,885,326)
Profit/(loss) for the year	794,321,228	(37,231)	1,331,307,443	2,125,591,440
Other comprehensive income for the year	—	—	—	—
Profit/(loss) and total comprehensive income for the year attributable to the equity holders of the Funds	794,321,228	(37,231)	1,331,307,443	2,125,591,440

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	A Fund *HK$*	B Fund *HK$*	C Fund *HK$*	TOTAL *HK$*
Revenue	210,393,121	—	104,939,164	315,332,285
Other income	9,251,725	—	4,912,034	14,163,759
Fair value changes on investment properties	100,400,000	—	329,846,948	430,246,948
Operating and administrative expenses	(17,467,609)	(46,292)	(85,815,873)	(103,329,774)
Profit/(loss) before taxation	302,577,237	(46,292)	353,882,273	656,413,218
Income tax (expenses)/credit	(31,683,624)	7,638	(16,372,429)	(48,048,415)
Profit/(loss) for the year	270,893,613	(38,654)	337,509,844	608,364,803
Other comprehensive income for the year	—	—	—	—
Profit/(loss) and total comprehensive income for the year attributable to the equity holders of the Funds	270,893,613	(38,654)	337,509,844	608,364,803

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	A Fund	B Fund	C Fund	TOTAL
	HK$	*HK$*	*HK$*	*HK$*
Revenue	183,131,084	—	94,265,244	277,396,328
Other income	59,432,476	—	9,017,212	68,449,688
Fair value changes on investment properties	(863,400,000)	—	(370,000,000)	(1,233,400,000)
Operating and administrative expenses	(17,749,554)	(48,154)	(7,046,276)	(24,843,984)
Loss before taxation	(638,585,994)	(48,154)	(273,763,820)	(912,397,968)
Income tax (expenses)/credit	(34,847,907)	7,945	(14,407,567)	(49,247,529)
Loss for the year	(673,443,901)	(40,209)	(288,171,387)	(961,645,497)
Other comprehensive income for the year	—	—	—	—
Loss and total comprehensive income for the years attributable to the equity holders of the Funds	(673,443,901)	(40,209)	(288,171,387)	(961,645,497)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	A Fund	B Fund	C Fund	Inter-funds elimination	TOTAL
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Property, plant and equipment	—	—	—	—	—
Investment properties	5,510,000,000	—	5,100,000,000	—	10,610,000,000
	5,510,000,000	—	5,100,000,000	—	10,610,000,000
Current assets					
Accounts and other receivables	16,116,252	—	11,128,788	(278,900)	26,966,140
Deposits and prepayments	5,160,332	—	1,384,478	—	6,544,810
Cash and bank balances	529,901,389	121,098	127,736,697	—	657,759,184
	551,177,973	121,098	140,249,963	(278,900)	691,270,134
Current liabilities					
Amounts owing to shareholders	86,430,864	—	105,080,370	—	191,511,234
Tenants' deposits	62,153,041	—	39,651,755	—	101,804,796
Accounts and other payables	53,814,531	—	4,193,368	(278,900)	57,728,999
Current accounts	5,899,658	(5,899,658)	—	—	—
Current tax liabilities	30,720,949	—	16,669,775	—	47,390,724
	239,019,043	(5,899,658)	165,595,268	(278,900)	398,435,753
Net current assets/(liabilities)	312,158,930	(6,020,756)	(25,345,305)	—	292,834,381
Total assets less current liabilities	5,822,158,930	6,020,756	5,074,654,695	—	10,902,834,381
Non-current liabilities					
Deferred tax liabilities	88,144,623	—	15,764,668	—	103,909,291
NET ASSETS	5,734,014,307	6,020,756	5,058,890,027	—	10,798,925,090
Equity					
Share capital	100,000	4,500	5,500	—	110,000
Accumulated profits	5,733,914,307	6,016,256	5,058,884,527	—	10,798,815,090
TOTAL EQUITY	5,734,014,307	6,020,756	5,058,890,027	—	10,798,925,090

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	A Fund	B Fund	C Fund	Inter-funds elimination	TOTAL
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Property, plant and equipment	—	—	—	—	—
Investment properties	5,610,400,000	—	4,670,000,000	—	10,280,400,000
	5,610,400,000	—	4,670,000,000	—	10,280,400,000
Current assets					
Accounts and other receivables	12,628,484	—	12,047,327	(431,049)	24,244,762
Deposits and prepayments	4,439,927	—	38,938	—	4,478,865
Cash and bank balances	702,543,503	204,806	802,754,235	190,074	1,505,692,618
	719,611,914	204,806	814,840,500	(240,975)	1,534,416,245
Current liabilities					
Amounts owing to shareholders	86,430,864	—	14,330,370	—	100,761,234
Tenants' deposits	60,908,839	—	38,630,473	—	99,539,312
Accounts and other payables	51,188,872	—	3,420,673	(240,975)	54,368,570
Current accounts	5,777,296	(5,777,296)	—	—	—
Current tax liabilities	30,483,822	—	17,372,708	—	47,856,530
	234,789,693	(5,777,296)	73,754,224	(240,975)	302,525,646
Net current assets	484,822,221	5,982,102	741,086,276	—	1,231,890,599
Total assets less current liabilities	6,095,222,221	5,982,102	5,411,086,276	—	11,512,290,599
Non-current liabilities					
Deferred tax liabilities	90,314,301	—	14,686,405	—	105,000,706
NET ASSETS	6,004,907,920	5,982,102	5,396,399,871	—	11,407,289,893
Equity					
Share capital	100,000	4,500	5,500	—	110,000
Accumulated profits	6,004,807,920	5,977,602	5,396,394,371	—	11,407,179,893
TOTAL EQUITY	6,004,907,920	5,982,102	5,396,399,871	—	11,407,289,893

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	A Fund	B Fund	C Fund	Inter-funds elimination	TOTAL
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Property, plant and equipment	—	—	—	—	—
Investment properties	4,747,000,000	—	4,300,000,000	—	9,047,000,000
	4,747,000,000	—	4,300,000,000	—	9,047,000,000
Current assets					
Accounts and other receivables	20,402,624	—	17,556,559	(143,075)	37,816,108
Deposits and prepayments	5,229,859	—	38,022	—	5,267,881
Cash and bank balances	835,185,382	4,500	131,115,478	143,075	966,448,435
	860,817,865	4,500	148,710,059	—	1,009,532,424
Current liabilities					
Amounts owing to shareholders	86,430,864	—	—	—	86,430,864
Tenants' deposits	56,418,834	—	33,213,800	—	89,632,634
Accounts and other payables	7,599,027	—	1,522,390	—	9,121,417
Current tax liabilities	33,366,033	—	16,211,389	—	49,577,422
	183,814,758	—	50,947,579	—	234,762,337
Net current assets	677,003,107	4,500	97,762,480	—	774,770,087
Total assets less current liabilities	5,424,003,107	4,500	4,397,762,480	—	9,821,770,087
Non-current liabilities					
Deferred tax liabilities	92,529,088	—	15,533,996	—	108,063,084
NET ASSETS	5,331,474,019	4,500	4,382,228,484	—	9,713,707,003
Equity					
Share capital	100,000	4,500	5,500	—	110,000
Accumulated profits	5,331,374,019	—	4,382,222,984	—	9,713,597,003
TOTAL EQUITY	5,331,474,019	4,500	4,382,228,484	—	9,713,707,003

8. REVENUE

The Target Group's revenue represents rental income from shopping mall, offices and carparks.

	2018			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Rental income	198,697,235	—	102,213,715	300,910,950
Carpark income	10,053,616	—	—	10,053,616
	208,750,851	—	102,213,715	310,964,566

	2019			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Rental income	199,389,235	—	104,939,164	304,328,399
Carpark income	11,003,886	—	—	11,003,886
	210,393,121	—	104,939,164	315,332,285

	2020			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Rental income	173,902,903	—	94,265,244	268,168,147
Carpark income	9,228,181	—	—	9,228,181
	183,131,084	—	94,265,244	277,396,328

9. OTHER INCOME

	2018			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Interest income	4,013,259	—	892,171	4,905,430
Other income	379,442	—	—	379,442
	4,392,701	—	892,171	5,284,872

	2019			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Interest income	9,238,960	—	4,912,034	14,150,994
Other income	12,765	—	—	12,765
	9,251,725	—	4,912,034	14,163,759

	2020			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Interest income	13,920,570	—	8,677,358	22,597,928
Other income *(note)*	45,511,906	—	339,854	45,851,760
	59,432,476	—	9,017,212	68,449,688

Note: Other income included a sum of HK$45,301,917 being other payables written back.

10. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at:-

	2018			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
After crediting:				
Rental income from investment properties	208,750,851	—	102,213,715	310,964,566
Less: Direct operating expenses arising from investment properties				
— Agency fees	692,246	—	2,298,486	2,990,732
— Air-conditioning and management charges	2,693,560	—	742,080	3,435,640
— Carpark expenses	2,127,071	—	—	2,127,071
— Management fees	4,722,768	—	2,125,117	6,847,885
— Shopping mall expenses	6,582,280	—	—	6,582,280
— Other expenses	1,028,305	—	683,807	1,712,112
	17,846,230	—	5,849,490	23,695,720
	190,904,621	—	96,364,225	287,268,846
After charging:				
Auditor's remuneration	396,000	—	—	396,000
Staff costs *(Note 12)*	652,800	—	—	652,800
Management fees	2,015,959	—	—	2,015,959
Others	303,416	44,588	74,489	422,493
	3,368,175	44,588	74,489	3,487,252

PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at:-

	2019			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
After crediting:				
Rental income from investment properties	210,393,121	—	104,939,164	315,332,285
Less: Direct operating expenses arising from investment properties				
— Agency fees	731,206	—	1,524,660	2,255,866
— Air-conditioning and management charges	2,789,573	—	898,704	3,688,277
— Carpark expenses	2,017,989	—	—	2,017,989
— Management fees	4,584,779	—	2,140,707	6,725,486
— Net loss on disposal of investment properties	—	—	79,846,948	79,846,948
— Shopping mall expenses	2,441,772	—	—	2,441,772
— Other expenses	1,256,582	—	1,243,704	2,500,286
	13,821,901	—	85,654,723	99,476,624
	196,571,220	—	19,284,441	215,855,661
After charging:				
Auditor's remuneration	410,600	—	—	410,600
Staff costs *(Note 12)*	652,800	—	—	652,800
Management fees	2,255,551	—	2,000	2,257,551
Others	326,757	46,292	159,150	532,199
	3,645,708	46,292	161,150	3,853,150

LOSS BEFORE TAXATION

Loss before taxation is arrived at:-

	2020			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
After crediting:				
Rental income from investment properties	183,131,084	—	94,265,244	277,396,328
Less: Direct operating expenses arising from investment properties				
— Agency fees	258,744	—	2,976,096	3,234,840
— Air-conditioning and management charges	3,620,025	—	848,773	4,468,798
— Carpark expenses	1,925,241	—	—	1,925,241
— Management fees	3,761,524	—	1,854,805	5,616,329
— Shopping mall expenses	890,125	—	—	890,125
— Other expenses	3,540,942	—	1,057,500	4,598,442
	13,996,601	—	6,737,174	20,733,775
	169,134,483	—	87,528,070	256,662,553
After charging:				
Auditor's remuneration	247,800	—	183,000	430,800
Bad debts	327,719	—	—	327,719
Staff costs *(Note 12)*	652,800	—	—	652,800
Management fees	2,217,087	—	4,800	2,221,887
Others	307,547	48,154	121,302	477,003
	3,752,953	48,154	309,102	4,110,209

11. INCOME TAX

(a) For the year ended 30 June 2018, Hong Kong Profits Tax has been provided at the rate of 16.5% on the assessable profits for the year. For the two years ended 30 June 2019 and 2020, under the two-tiered profits tax rates regime, the first $2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above $2 million will be taxed at 16.5%. The profits of group entities not qualifying for two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Income tax expenses in the consolidated statement of profit or loss and other comprehensive income represents:

For the year ended 30 June 2018	**A Fund** *HK$*	**B Fund** *HK$*	**C Fund** *HK$*	**Total** *HK$*
Current tax —				
Tax for the year	29,000,118	(7,357)	14,911,313	43,904,074
(Over)/under-provision in prior year	1,096	—	(15,152)	(14,056)
	29,001,214	(7,357)	14,896,161	43,890,018
Deferred tax —				
Origination and reversal of temporary differences	2,017,826	—	978,303	2,996,129
Over-provision in prior year	(821)	—	—	(821)
	2,017,005	—	978,303	2,995,308
	31,018,219	(7,357)	15,874,464	46,885,326

For the year ended 30 June 2019	**A Fund** *HK$*	**B Fund** *HK$*	**C Fund** *HK$*	**Total** *HK$*
Current tax —				
Tax for the year	29,668,313	(7,638)	17,450,692	47,111,367
Over-provision in prior year	(154,367)	—	—	(154,367)
	29,513,946	(7,638)	17,450,692	46,957,000
Deferred tax —				
Origination and reversal of temporary differences	2,200,358	—	(1,078,263)	1,122,095
Over-provision in prior year	(30,680)	—	—	(30,680)
	2,169,678	—	(1,078,263)	1,091,415
	31,683,624	(7,638)	16,372,429	48,048,415

For the year ended 30 June 2020	A Fund *HK$*	B Fund *HK$*	C Fund *HK$*	Total *HK$*
Current tax —				
Tax for the year	32,607,092	(7,945)	13,615,993	46,215,140
(Over)/under-provision in prior year	26,028	—	(56,017)	(29,989)
	32,633,120	(7,945)	13,559,976	46,185,151
Deferred tax —				
Origination and reversal of temporary differences	2,215,192	—	847,591	3,062,783
Over-provision in prior year	(405)	—	—	(405)
	2,214,787	—	847,591	3,062,378
	34,847,907	(7,945)	14,407,567	49,247,529

(b) The reconciliation between income tax expense/(credit) and accounting profit/(loss) in the consolidated financial statements is as follows:

For the year ended 30 June 2018	A Fund *HK$*	B Fund *HK$*	C Fund *HK$*	Total *HK$*
Profit/(loss) before tax	825,339,447	(44,588)	1,347,181,907	2,172,476,766
Notional tax at the applicable tax rate of 16.5%	136,181,009	(7,357)	222,285,014	358,458,666
Tax effect of net income that is not taxable in determining taxable profit	(105,164,824)	—	(206,395,398)	(311,560,222)
Tax effect of unrecognised tax losses	21,759	—	—	21,759
Tax concession	(20,000)	—	—	(20,000)
(Over)/under-provision in prior year	275	—	(15,152)	(14,877)
Income tax expenses/(credit)	31,018,219	(7,357)	15,874,464	46,885,326

For the year ended 30 June 2019	**A Fund**	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Profit/(loss) before tax	302,577,237	(46,292)	353,882,273	656,413,218
Notional tax at the applicable tax rate of 16.5%	49,925,243	(7,638)	58,390,575	108,308,180
Tax concession on two-tiered profits tax rate regime	(165,000)	—	—	(165,000)
Tax effect of net income that is not taxable in determining taxable profit	(18,077,754)	—	(42,018,146)	(60,095,900)
Tax effect of unrecognised tax losses	21,182	—	—	21,182
Tax concession	(30,000)	—	—	(30,000)
Under-provision in prior year	9,953	—	—	9,953
Income tax expenses/(credit)	31,683,624	(7,638)	16,372,429	48,048,415

For the year ended 30 June 2020	**A Fund**	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Loss before tax	(638,585,994)	(48,154)	(273,763,820)	(912,397,968)
Notional tax at the applicable tax rate of 16.5%	(105,366,689)	(7,945)	(45,171,030)	(150,545,664)
Tax effect of net expenses that is not deductible in determining taxable profit	140,168,715	—	59,634,614	199,803,329
Tax effect of unrecognised tax losses	20,258	—	—	20,258
Tax concession	(20,000)	—	—	(20,000)
(Over)/under-provision in prior year	45,623	—	(56,017)	(10,394)
Income tax expenses/(credit)	34,847,907	(7,945)	14,407,567	49,247,529

12. EMPLOYEE BENEFIT EXPENSES

(a) Staff costs represents a Director's emolument of A Fund, analysed as follows:

	2018	**2019**	**2020**
	HK$	*HK$*	*HK$*
Salaries, allowances and bonus	624,000	624,000	624,000
Pension costs — Defined contribution scheme	28,800	28,800	28,800
	652,800	652,800	652,800

(b) The remuneration of a Director for the years ended 30 June 2018, 2019 and 2020 are set out below:

	Emoluments paid or receivable in respect of a person's services as a Director				
	Director's fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
For the years ended					
30 June 2018	—	624,000	—	28,800	652,800
30 June 2019	—	624,000	—	28,800	652,800
30 June 2020	—	624,000	—	28,800	652,800

(c) Directors' retirement benefits

No retirement benefits were paid to or receivable by any Directors in respect of their other services in connection with the management of the affairs of the Target Company for the years ended 30 June 2018, 2019 and 2020.

(d) Directors' termination benefits

No payment was made to Directors as compensation for the early termination of the appointment during the years ended 30 June 2018, 2019 and 2020.

(e) Consideration provided to third parties for making available Directors' services

No payment was made to third parties for making available Directors' services during the years ended 30 June 2018, 2019 and 2020.

(f) Information about loan, quasi-loans and other dealings in favour of Directors, controlled body corporates by and connected entities with such Directors

There are no loans, quasi-loans and other dealings in favour of Directors, controlled body corporates by and connected entities with such Directors during the years ended 30 June 2018, 2019 and 2020.

(g) Directors' material interests in transactions, arrangements or contracts

For the year ended 30 June 2019, the C Fund of the Target Company disposed of certain of its office premises to a subsidiary of Sociedade de Turismo e Diversões de Macau, S.A. ("**STDM**") for HK$680,000,000. Since the Target Company is an associate of STDM and Ms. Ho Chiu King, Pansy Catilina, Ms. Ho Chiu Fung, Daisy, Ms. Ho Chiu Ha, Maisy and Mr. Shum Hong Kuen, David are common directors of both STDM and the Target Company, they are regarded as having a material interests in the transaction.

Apart from the above, no other significant transactions, arrangement and contracts in relation to the Target Company's business to which the Target Company was a party and in which a Director of the Target Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 30 June 2018, 2019 and 2020.

13. DIVIDEND

	2018	**2019**	**2020**
	HK$	*HK$*	*HK$*
A Fund —	—	—	—
B Fund —			
Interim dividend paid in respect of the year ended 30 June 2020	—	—	5,937,393
C Fund —			
Interim dividend paid in respect of the year ended 30 June 2018 and 30 June 2020	66,000,000	—	726,000,000
	66,000,000	—	731,937,393

During the year ended 30 June 2018, the Board of Directors of C Shares paid an interim dividend of HK$120,000 per ordinary share, totalling HK$66,000,000.

During the year ended 30 June 2020, the Board of Directors of B Shares paid an interim dividend of HK$13,194 per ordinary share, totalling HK$5,937,393.

During the year ended 30 June 2020, the Board of Directors of C Shares paid an interim dividend of HK$1,320,000 per ordinary share, totalling HK$726,000,000.

14. PROPERTY, PLANT AND EQUIPMENT

A Fund

	Furniture, equipment and fittings *HK$*
Cost	
At 1.7.2017, 30.6.2018, 30.6.2019 and 30.6.2020	103,187
Accumulated depreciation	
At 1.7.2017, 30.6.2018, 30.6.2019 and 30.6.2020	103,187
Carrying amount	
At 30.6.2018, 30.6.2019 and 30.6.2020	—

15. INVESTMENT PROPERTIES

	A Fund *HK$*	B Fund *HK$*	C Fund *HK$*	Total *HK$*
Fair values				
At 1.7.2017	4,872,000,000	—	3,850,000,000	8,722,000,000
Capitalised subsequent expenditures	4,589,700	—	—	4,589,700
Changes in fair values	633,410,300	—	1,250,000,000	1,883,410,300
At 30.6.2018	5,510,000,000	—	5,100,000,000	10,610,000,000
Disposal	—	—	(759,846,948)	(759,846,948)
Changes in fair values	100,400,000	—	329,846,948	430,246,948
At 30.6.2019	5,610,400,000	—	4,670,000,000	10,280,400,000
Changes in fair values	(863,400,000)	—	(370,000,000)	(1,233,400,000)
At 30.6.2020	4,747,000,000	—	4,300,000,000	9,047,000,000

The current use of the Target Group's investment properties equates to their highest and best use and were valued at their fair values as at 30 June 2018, 2019 and 2020 by independent firm of qualified valuers as follow:

Years ended	A Fund Properties	C Fund Properties
30 June 2018	Savills Valuation and Professional Services Limited	Savills Valuation and Professional Services Limited
30 June 2019	Savills Valuation and Professional Services Limited	Savills Valuation and Professional Services Limited
30 June 2020	Cushman & Wakefield Limited	Savills Valuation and Professional Services Limited

Fair values of the Target Group's investment properties are categorised as Level 3 measurement in the three-level fair value hierarchy. During the years, there were no transfers between different levels within the fair value hierarchy.

The valuation methodologies adopted by valuers are stated below:

Years ended	A Fund Properties		C Fund Properties
	Shopping mall	Carparks and offices	Offices
30 June 2018	Income approach	Income approach	Income approach
30 June 2019	Income approach	Income approach	Income approach
30 June 2020	Income approach	Market approach	Income approach

Set out below is the fair values and significant unobservable inputs used for fair value measurements of the Target Group's investment properties as at 30 June 2018, 2019 and 2020:

	As at 30 June 2018 Income approach			
	Weighted average capitalisation rates	A Fund	C Fund	Total
		HK$	*HK$*	*HK$*
Shopping mall	4.4%	4,600,000,000	—	4,600,000,000
Carparks and offices	2.6% - 3.4%	910,000,000	5,100,000,000	6,010,000,000
		5,510,000,000	5,100,000,000	10,610,000,000

	As at 30 June 2019 Income approach			
	Weighted average capitalisation rates	**A Fund** *HK$*	**C Fund** *HK$*	**Total** *HK$*
Shopping mall	4.4%	4,640,000,000	—	4,640,000,000
Carparks and offices	2.25 - 2.6%	970,400,000	4,670,000,000	5,640,400,000
		5,610,400,000	4,670,000,000	10,280,400,000

	As at 30 June 2020				
	Income approach			**Market approach**	**Total**
	Weighted average capitalisation rate	**A Fund**	**C Fund**	**A Fund**	
Shopping mall	4.3% - 4.8%	4,050,000,000	—	—	4,050,000,000
Carparks and offices	2.6%	—	4,300,000,000	697,000,000	4,997,000,000
		$4,050,000,000	$4,300,000,000	$697,000,000	$9,047,000,000

Income approach

Income approach are valued by capitalising the net rental income from the existing tenancies with due allowance for reversionary income potential at appropriate capitalisation rates for individual properties. The capitalisation rate adopted, which varies according to the type and class of property concerned, its location and the type of tenant in occupation, is derived by reference to the yields achieved from analysis of recent comparable property investment transactions and encapsulates future expectations of the investors regarding income and capital growth and perceived risks.

The fair values of the Target Group's investment properties are inversely related to capitalisation rates, which are determined by investors' expectations on investment yields, rental growth and the risk profile of the properties being valued. A lower/(higher) capitalisation rate would imply a higher/(lower) property value.

Market approach

As at 30 June 2020, the carparks and office premises of A Fund were valued by using market approach. A significant increase/decrease in the unit rate of market price would result in a significant increase/decrease in the fair value of the properties which were classified as investment properties as at 30 June 2020. The key inputs are as follows:

Properties	**Market prices**
Carpark	HK$3,500,000 each
Offices	HK$29,000 psf on gross floor area

Market approach is based on assuming sales of the properties in its existing state by making reference to comparable market transactions as available in the relevant market. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

The valuation takes into account the characteristics of the properties, which included the unit rate, view, floor level and other factors collectively, to arrive at the market price.

16. ACCOUNTS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the accounts and other receivables are trade receivables. It represents rental income receivable from tenants whereby no general credit terms are granted. The tenants are obligated to settle the amounts pursuant to terms and conditions of relevant tenancy agreements.

As at 30 June 2018, 2019 and 2020, accounts receivables are fully performing and do not contain impaired assets. Loss allowances for lifetime expected credit losses on trade receivables are not recognised because historical records indicate that the possibility of default is remote.

As at 30 June 2018, 2019 and 2020, the rental and utility deposits were considered to be settled within the normal operating cycle. Hence, it was classified as current assets.

The maximum exposure to credit risk at the end of reporting period is the carrying amounts of accounts and other receivables and deposits. The Target Group does not hold any collateral as security.

The carrying amounts of the Target Group's accounts and other receivables and deposits are denominated in Hong Kong Dollars.

17. CASH AND BANK BALANCES

	As at 30 June 2018				
	A Fund	B Fund	C Fund	Inter-funds elimination	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cash at banks and in hand	45,901,389	121,098	22,736,697	—	68,759,184
Bank deposits with original maturities of three months or less	484,000,000	—	105,000,000	—	589,000,000
Cash and cash equivalents	529,901,389	121,098	127,736,697	—	657,759,184
Maximum exposure to credit risk	529,901,389	121,098	127,736,697	—	657,759,184

	As at 30 June 2019				
	A Fund	B Fund	C Fund	Inter-funds elimination	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cash at banks and in hand	32,543,503	204,806	20,171,685	190,074	53,110,068
Bank deposits with original maturities of three months or less	670,000,000	—	782,582,550	—	1,452,582,550
Cash and cash equivalents	702,543,503	204,806	802,754,235	190,074	1,505,692,618
Maximum exposure to credit risk	702,543,503	204,806	802,754,235	190,074	1,505,692,618

	As at 30 June 2020				
	A Fund	**B Fund**	**C Fund**	**Inter-funds elimination**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cash at banks and in hand	19,997,820	4,500	15,115,478	143,075	35,260,873
Bank deposits with original maturities of three months or less	815,187,562	—	116,000,000	—	931,187,562
Cash and cash equivalents	835,185,382	4,500	131,115,478	143,075	966,448,435
Maximum exposure to credit risk	835,185,382	4,500	131,115,478	143,075	966,448,435

The above bank balances were denominated in Hong Kong Dollars.

The effective interest rates on bank deposits with original maturities of three months or less are 1.51%, 2.48% and 0.62% per annum respectively as at 30 June 2018, 2019 and 2020.

The bank deposits with original maturities of three months or less have an average original maturity of 30 days as at 30 June 2018, 2019 and 2020.

The Target Group does not hold any collateral as security of its cash and bank balances.

18. AMOUNTS OWING TO SHAREHOLDERS

Amounts owing to shareholders are unsecured, non-interest bearing and repayable on demand.

19. ACCOUNTS AND OTHER PAYABLES

	As at 30 June 2018				
	A Fund	B Fund	C Fund	Inter-funds elimination	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Other payables	3,452,314	—	1,663,717	—	5,116,031
Accounts payables and accruals	50,362,217	—	2,529,651	(278,900)	52,612,968
	53,814,531	—	4,193,368	(278,900)	57,728,999

	As at 30 June 2019				
	A Fund	B Fund	C Fund	Inter-funds elimination	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Other payables	2,508,950	—	1,684,638	—	4,193,588
Accounts payables and accruals	48,679,922	—	1,736,035	(240,975)	50,174,982
	51,188,872	—	3,420,673	(240,975)	54,368,570

	As at 30 June 2020				
	A Fund	B Fund	C Fund	Inter-funds elimination	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Other payables	4,795,734	—	439,148	—	5,234,882
Accounts payables and accruals	2,803,293	—	1,083,242	—	3,886,535
	7,599,027	—	1,522,390	—	9,121,417

The above accounts and other payables, accruals and tenants' deposits are denominated in Hong Kong Dollars.

20. DEFERRED TAX

(a) Deferred tax assets and liabilities recognised

The components of net deferred tax assets and liabilities recognised in the consolidated statements of financial position and the movements during the years are as follows:

	A Fund	B Fund	C Fund	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1.7.2017	86,127,618	—	14,786,365	100,913,983
Charged to consolidated profit or loss —				
Current year	2,017,826	—	978,303	2,996,129
Over-provision in prior year	(821)	—	—	(821)
At 30.6.2018	88,144,623	—	15,764,668	103,909,291
Charged/(credit) to consolidated profit or loss —				
Current year	2,200,358	—	(1,078,263)	1,122,095
Over-provision in prior year	(30,680)	—	—	(30,680)
At 30.6.2019	90,314,301	—	14,686,405	105,000,706
Charged to consolidated profit or loss —				
Current year	2,215,192	—	847,591	3,062,783
Over-provision in prior year	(405)	—	—	(405)
At 30.6.2020	92,529,088	—	15,533,996	108,063,084

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Net deferred tax liabilities recognised:

	A Fund		C Fund	Total
	Deferred tax assets	Deferred tax liabilities	Deferred tax liabilities	
	HK$	*HK$*	*HK$*	*HK$*
At 30.6.2018	(897,963)	89,042,586	15,764,668	103,909,291
At 30.6.2019	(940,725)	91,255,026	14,686,405	105,000,706
At 30.6.2020	(983,485)	93,512,573	15,533,996	108,063,084

(b) Deferred tax assets unrecognised

Deferred tax assets have not been recognised in respect of:

A Fund

	2018	2019	2020
	HK$	*HK$*	*HK$*
Tax losses	2,828,607	2,937,903	3,045,400

The tax losses do not expire under current tax legislation.

21. SHARE CAPITAL

	Number of shares			
	A shares	B shares	C shares	Amount
				HK$
Issued and fully paid Ordinary shares				
At 30.6.2018	1,000	450	550	110,000
At 30.6.2019	1,000	450	550	110,000
At 30.6.2020	1,000	450	550	110,000

Note:

The A Shares, B Shares and C Shares shall constitute separate classes of shares and shall confer on their respective holders the rights and privileges and be subject to the restrictions set out in the Articles of Association of the Target Company. The A Fund, B Fund and C Fund are appropriated exclusively to the holders of A Shares, B Shares and C Shares respectively.

22. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	2018	2019	2020
	HK$	*HK$*	*HK$*
Cash flows from operating activities			
Profit/(loss) before tax	2,172,476,766	656,413,218	(912,397,968)
Adjustments for:			
Fair value changes on investment properties	(1,883,410,300)	(430,246,948)	1,233,400,000
Interest income	(4,905,430)	(14,150,994)	(22,597,928)
Net loss on disposal of investment properties	—	79,846,948	—
Bad debts	—	—	327,719
Operating profit before working capital changes	284,161,036	291,862,224	298,731,823
(Increase)/decrease in accounts and other receivables	(2,261,797)	3,431,604	(15,311,763)
(Increase)/decrease in deposits and prepayments	(82,477)	2,065,945	(789,016)
Increase/(decrease) in accounts and other payables	510,270	(3,360,429)	(45,247,153)
Increase/(decrease) in tenants' deposits	(1,852,052)	(2,265,484)	(9,906,678)
Cash generated from operations	280,474,980	291,733,860	227,477,213

(b) An analysis of loss on disposal of investment properties

C Fund

	2019
	HK$
Carrying amounts	759,846,948
Loss on disposal of investment properties	(79,846,948)
Proceeds from disposal of investment properties	680,000,000

23. FUTURE MINIMUM RENTALS RECEIVABLES

At 30 June 2018, 2019 and 2020, the Target Group had future minimum rentals receivables under non-cancellable operating leases as follows:

	As at 30 June 2018			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Not later than one year	143,620,908	—	71,276,122	214,897,030
Later than one year and not later than five years	96,318,669	—	44,031,080	140,349,749
	239,939,577	—	115,307,202	355,246,779

	As at 30 June 2019			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Not later than one year	129,465,193	—	66,813,923	196,279,116
Later than one year and not later than five years	51,446,250	—	39,857,130	91,303,380
	180,911,443	—	106,671,053	287,582,496

	As at 30 June 2020			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Not later than one year	79,342,004	—	63,492,199	142,834,203
Later than one year and not later than five years	26,732,539	—	35,526,979	62,259,518
	106,074,543	—	99,019,178	205,093,721

24. SUBSIDIARIES

Details of A Fund's subsidiaries as at 30 June 2018, 2019 and 2020 are as follows: —

Private companies incorporated in Hong Kong	Issued and paid up capital	Proportion of ownership interest	Principal activities
Easy Hope Company Limited	8 ordinary shares: HK$800	100%	Property investment
Hotel Victoria Limited	2 ordinary shares: HK$2	100%	Inactive

25. RELATED PARTY TRANSACTIONS

Other than the transactions and balances with related parties disclosed in note 18 in these Historical Financial Information, the Target Group had the following significant transactions with related parties:

(a) During the years, the Target Group had the following significant transactions with related companies in which certain Directors of the Target Company and of its subsidiaries and/or their close family members have control/joint control/significant influence/beneficial interests:

	For the year ended 30 June 2018			
	A Fund	**B Fund**	**C Fund**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Rental income	19,470,829	—	13,250,011	32,720,840
Carpark expenses	237,600	—	—	237,600
Leasing agency fees	692,246	—	1,901,126	2,593,372
Management fees	6,359,989	—	2,125,117	8,485,106

	For the year ended 30 June 2019			
	A Fund	B Fund	C Fund	Total
	HK$	*HK$*	*HK$*	*HK$*
Rental income	19,207,283	—	11,955,576	31,162,859
Carpark expenses	237,600	—	—	237,600
Leasing agency fees	543,414	—	1,029,909	1,573,323
Management fees	6,390,697	—	2,140,707	8,531,404
Proceed from disposal of investment properties	—	—	680,000,000	680,000,000

	For the year ended 30 June 2020			
	A Fund	B Fund	C Fund	Total
	HK$	*HK$*	*HK$*	*HK$*
Rental income	17,972,598	—	12,288,816	30,261,414
Carpark expenses	237,600	—	—	237,600
Leasing agency fees	258,744	—	1,532,291	1,791,035
Management fees	5,520,234	—	1,854,805	7,375,039

(b) Accounts and other receivables, tenants' deposits and accounts payable included the following balances with related companies in which certain Directors of the Target Company and of its subsidiaries and/or their close family members have control/joint control/significant influence/beneficial interests:

	As at 30 June 2018			
	A Fund	B Fund	C Fund	Total
	HK$	*HK$*	*HK$*	*HK$*
Accounts and other receivables	3,624,399	—	223,731	3,848,130
Tenants' deposits	6,216,754	—	3,671,925	9,888,679
Accounts and other payables	1,674,876	—	1,025,138	2,700,014

	As at 30 June 2019			
	A Fund	B Fund	C Fund	Total
	HK$	*HK$*	*HK$*	*HK$*
Accounts and other receivables	597,067	—	904,856	1,501,923
Tenants' deposits	6,169,137	—	3,682,949	9,852,086
Accounts and other payables	1,057,376	—	326,870	1,384,246

	As at 30 June 2020			
	A Fund	B Fund	C Fund	Total
	HK$	*HK$*	*HK$*	*HK$*
Accounts and other receivables	736,726	—	485,404	1,222,130
Tenants' deposits	5,678,032	—	3,985,274	9,663,306
Accounts and other payables	767,114	—	145,530	912,644

(c) Office premises and carparks for the fair values of HK$530,000,000, HK$562,400,000 and HK$415,000,000 as at 30 June 2018, 2019 and 2020 respectively are used by related companies free of rental. Certain Directors of the Target Company are regarded as having beneficial interest in the related companies.

26. CAPITAL MANAGEMENT

The Target Group's objectives when managing capital are to safeguard its ability to continue as a going concern. The Directors of the Target Company regard total equity as capital, for capital management purposes.

The Target Group manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 30 June 2018				
	A Fund	**B Fund**	**C Fund**	**Inter-funds elimination**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets — Financial assets at amortised costs (including cash and bank balances)	551,156,753	6,020,756	140,239,033	(6,178,558)	691,237,984
Financial liabilities — Financial liabilities at amortised costs	204,845,780	—	147,261,776	(6,178,558)	345,928,998

	As at 30 June 2019				
	A Fund	**B Fund**	**C Fund**	**Inter-funds elimination**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets — Financial assets at amortised costs (including cash and bank balances)	719,590,401	5,982,102	814,828,916	(6,018,271)	1,534,383,148
Financial liabilities — Financial liabilities at amortised costs	201,796,921	—	54,696,878	(6,018,271)	250,475,528

	As at 30 June 2020				
	A Fund	B Fund	C Fund	Inter-funds elimination	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets — Financial assets at amortised costs (including cash and bank balances)	860,770,717	4,500	148,699,391	—	1,009,474,608
Financial liabilities — Financial liabilities at amortised costs	145,595,795	—	34,297,042	—	179,892,837

(b) Financial risk management

The Target Group's activities exposed it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(i) Credit risk

The Target Group's credit risk is primarily attributable to accounts receivable and bank deposits and balances. The carrying amounts of financial assets represent the amounts of maximum exposure to credit risk. The Target Group manages its credit risk arising from receivables by regularly monitoring their recoverability. The credit risk on liquid funds is limited because the banks are authorised financial institutions regulated under the Hong Kong Banking Ordinance and with high credit ratings.

(ii) Liquidity risk

The Target Group is exposed to liquidity risk on financial liabilities. The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Summary quantitative data and contractual maturity analysis for financial liabilities:

	Carrying amounts and contractual undiscounted cash flows				
	A Fund	**B Fund**	**C Fund**	**Inter-funds elimination**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
As at 30 June 2018					
Maturity of less than one year or on demand					
Amounts owing to shareholders	86,430,864	—	105,080,370	—	191,511,234
Tenants' deposits	62,153,041	—	39,651,755	—	101,804,796
Accounts and other payables	53,814,531	—	4,193,368	(278,900)	57,728,999

	Carrying amounts and contractual undiscounted cash flows				
	A Fund	**B Fund**	**C Fund**	**Inter-funds elimination**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
As at 30 June 2019					
Maturity of less than one year or on demand					
Amounts owing to shareholders	86,430,864	—	14,330,370	—	100,761,234
Tenants' deposits	60,908,839	—	38,630,473	—	99,539,312
Accounts and other payables	51,188,872	—	3,420,673	(240,975)	54,368,570

	Carrying amounts and contractual undiscounted cash flows				
	A Fund	B Fund	C Fund	Inter-funds elimination	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
As at 30 June 2020					
Maturity of less than one year or on demand					
Amounts owing to shareholders	86,430,864	—	—	—	86,430,864
Tenants' deposits	56,418,834	—	33,213,800	—	89,632,634
Accounts and other payables	7,599,027	—	1,522,390	—	9,121,417

(iii) Interest rate risk

Bank balances at floating interest rate are exposed to cash flow interest rate risk. In the opinion of the Directors of the Target Company, the Target Group has minimal exposure to interest rate risk.

(c) Fair values

The Directors have considered that the carrying amounts of all financial assets and liabilities approximated to their fair values as at 30 June 2018, 30 June 2019 and 30 June 2020.

28. INFORMATION ON STATUTORY FINANCIAL STATEMENTS OF THE TARGET COMPANY

The statutory consolidated financial statements of the Target Group which were subject to audit during the years ended 30 June 2018, 2019 and 2020, were prepared in accordance with HKFRSs. The statutory auditor of these consolidated financial statements for the years ended 30 June 2018, 2019 and 2020 is Bruce C. Y. Chui & Co., Certified Public Accountants.

29. GUARANTEE AND CONTINGENT LIABILITIES

The Target Group does not have any significant guarantee and contingent liabilities outstanding at 30 June 2018, 2019 and 2020.

30. EVENTS AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus virus disease (COVID-19) epidemic in early 2020 has resulted in a challenging operational environment and have adverse impact on the Target Group's business operations. The Target Group will pay close attention to the development of the epidemic and assess its impact on the consolidated financial statements, the assessment is still in progress and the related impact would not be reasonably estimated at this stage.

31 SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 2020 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 30 June 2020.

Given that (i) the financial results of the Target Company will not be consolidated into that of the Group and the Company's interests in the Target Company will be accounted for using the equity method of accounting in the consolidated financial statements of the Group, (ii) the Group is only entitled to the distributions made out of A Fund and B Fund and/or any profits generated from the assets held therein in proportion to its percentage holdings in A Shares and B Shares respectively and is not entitled to any distributions out of C Fund and/or any profits generated from the assets held therein, and (iii) the Group has no control over the decisions of material matters relating to C Fund including change of any contracts or sale of assets attributable to C Fund, distribution out of C Fund and day-to-day operation of the business operated by C Fund, the following management discussion and analysis covers A Fund and B Fund only and is based on the financial information of A Fund and B Fund for the three years ended 30 June 2020 included in the accountant's report of the Target Company as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Company is a property investment and investment holding company and its issued share capital comprises 1,000 A Shares, 450 B Shares and 550 C Shares. According to the articles of association of the Target Company, A Fund of the Target Company is appropriated exclusively to the holders of A Shares, B Fund of the Target Company is appropriated exclusively to the holder of B Shares and C Fund of the Target Company is appropriated exclusively to the holders of C Shares. Each of these funds is operated and maintained by the Target Company, separate and distinct from the other funds for which separate records and books of account are maintained in respect of each fund. As at the Latest Practicable Date, the assets attributable to A Fund comprise certain retail shops, office units and car parking spaces at Shun Tak Centre in Central, Hong Kong and cash, whereas the assets attributable to B Fund comprise cash only. The properties of A Fund are held for lease.

FINANCIAL REVIEW

A Fund

(a) Financial performance

For the three years ended 30 June 2020, A Fund's revenue and operating results were generated entirely from its properties investment operations in Hong Kong and as such had only one reportable business segment. A Fund recorded revenue of approximately HK$208.8 million, HK$210.4 million and HK$183.1 million which were contributed by rental income and carpark income from its investment properties for each of the three years ended 30 June 2020, respectively. The decrease in revenue for the year ended 30 June 2020 was due to the rent concession offered to tenants in light of the social unrest and the coronavirus situation.

A Fund recorded other income of approximately HK$4.4 million, HK$9.3 million and HK$59.4 million for each of the three years ended 30 June 2020, which mainly comprised interest income arising from bank deposits of cash on hand for the two years ended 30 June 2019, and other income rose significantly for the year ended 30 June 2020 due to a one-off written back of other payables relating to the funds previously paid for renovation.

The fair value increase on investment properties for A Fund were approximately HK$633.4 million and HK$100.4 million for each of the two years ended 30 June 2019. A Fund recorded decrease in the fair value of its investment properties of HK$863.4 million for the year ended 30 June 2020 which was mainly due to the weaker sentiment amidst the uncertainty arising from the global pandemic.

For the three years ended 30 June 2020, the operating and administrative expenses of A Fund were approximately HK$21.2 million, HK$17.5 million and HK$17.7 million, respectively. The operating and administrative expenses remained stable which mainly comprised shopping mall expenses, management fees, air-conditioning and management charges and car park expenses.

Further, A Fund recorded income tax of approximately HK$31.0 million, HK$31.7 million and HK$34.8 million, arising from current tax and deferred tax expenses.

Based on the analysis above, A Fund recorded net profit for each of the two years ended 30 June 2019 of approximately HK$794.3 million and HK$270.9 million, respectively, and a net loss for the year ended 30 June 2020 of approximately HK$673.4 million.

(b) Liquidity and financial resources

As at 30 June 2018, 30 June 2019 and 30 June 2020, A Fund had non-current assets of approximately HK$5,510.0 million, HK$5,610.4 million and HK$4,747.0 million, respectively. It recorded cash and bank balances of approximately HK$529.9 million, HK$702.5 million and HK$835.2 million, respectively. Its current liabilities which mainly comprised amounts due to shareholders, deposits received from its tenants, accounts payables and current tax liabilities amounted to HK$239.0 million, HK$234.8 million and HK$183.8 million as at the end of the three years ended 30 June 2020. The decrease as at 30 June 2020 was mainly due to a one-off written bank of other payables relating to the funds previously paid for renovation. Its long-term liabilities only comprised deferred tax liabilities of approximately HK$88.1 million, HK$90.3 million and HK$92.5 million as at 30 June 2018, 30 June 2019 and 30 June 2020, respectively.

A Fund had not maintained any committed borrowing facilities nor made any bank loan drawdown as at 30 June 2018, 30 June 2019 and 30 June 2020, respectively. There were no charges over its assets as at 30 June 2018, 30 June 2019 and 30 June 2020, respectively.

The total equity of A Fund as at 30 June 2018, 30 June 2019 and 30 June 2020 was HK$5,734.0 million, HK$6,004.9 million and HK$5,331.5 million, respectively.

(c) Gearing ratio

The asset-liability ratio of A Fund, which is equal to total liabilities over total assets, as at 30 June 2018, 30 June 2019 and 30 June 2020 was approximately 5.4%, 5.1% and 4.9%, respectively.

(d) Contingent liabilities

A Fund did not have any significant contingent liabilities as at 30 June 2018, 30 June 2019 and 30 June 2020.

(e) Financial risk management

For the each of the three years ended 30 June 2020, A Fund was mainly exposed to credit, liquidity and interest rate risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by A Fund, please refer to note 27(b) of the Accountant's Report of the Target Company as set out in Appendix II to this circular.

(f) Significant investments

As at 30 June 2018, 30 June 2019 and 30 June 2020, A Fund did not hold any material investments.

(g) Employees and remuneration policies

As at 30 June 2018, 30 June 2019 and 30 June 2020, A Fund had one, one and one full-time employee, respectively. A Fund recruits, promotes and remunerates its employee based on their qualifications, experience, skills and performances. It provides trainings and competitive remuneration packages including salaries and discretionary bonuses for its employee to promote a motivated working environment.

B Fund

(a) Financial performance

For the three years ended 30 June 2020, B Fund did not record any revenue as it only held cash and did not hold any properties for investment.

For each of the three years ended 30 June 2020, it recorded minimal operating and administrative expenses of approximately HK$45,000, HK$46,000 and HK$48,000 and current tax credit of approximately HK$7,000, HK$8,000 and HK$8,000.

Based on the analysis above, B Fund recorded a net loss of approximately HK$37,000, HK$39,000 and HK$40,000 for each of the three years ended 30 June 2020, respectively,

(b) Liquidity and financial resources

As at 30 June 2018, 30 June 2019 and 30 June 2020, B Fund did not record any non-current assets. It recorded cash and bank balances of approximately HK$0.1 million and HK$0.2 million as at 30 June 2018 and 30 June 2019, respectively. It recorded a debit balance of current accounts of approximately HK$5.9 million, HK$5.8 million and nil as at 30 June 2018, 30 June 2019 and 30 June 2020, respectively, and did not have any liabilities as at the relevant times. Following the payment of an interim dividend for the year ended 30 June 2020 of approximately HK$5.9 million to the shareholders of B Fund, it recorded cash and bank balances of HK$4,500 as at 30 June 2020 contributed solely by its share capital.

B Fund had not maintained any committed borrowing facilities or made any bank loan drawdown as at 30 June 2018, 30 June 2019 and 30 June 2020, respectively. There were no charges over its assets as at 30 June 2018, 30 June 2019 and 30 June 2020, respectively.

The total equity of B Fund as at 30 June 2018, 30 June 2019 and 30 June 2020 was HK$6.0 million, HK$6.0 million and HK$4,500, respectively.

(c) Contingent liabilities

B Fund did not have any significant contingent liabilities as at 30 June 2018, 30 June 2019 and 30 June 2020.

(d) Financial risk management

For the each of the three years ended 30 June 2020, B Fund was mainly exposed to credit and interest rate risks. For details of the exposure to such risks and the relevant risk management policies and practices adopted by B Fund, please refer to note 27(b) of the Accountant's Report of the Target Company as set out in Appendix II to this circular.

(e) Significant investments

As at 30 June 2018, 30 June 2019 and 30 June 2020, B Fund did not have any material investments.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The information set out in this appendix does not form part of the accountant's report as set out in Appendix II to this circular, and is included herein for illustrative purpose only.

The following is the illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"), which have been prepared on the basis of notes set out below and in accordance with Rule 4.29(1) of the Listing Rules, for the purpose of illustrating the effects of the Acquisition on the Group for inclusion in this circular.

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effects of the Acquisition on the Group's financial position as at 31 December 2019 as if the Acquisition had taken place at 31 December 2019.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 December 2019 or any future dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2019 and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information does not constitute the Company's statutory annual consolidated financial statements for the year ended 31 December 2019 but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

(i) the Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance; and

(ii) the Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Companies Ordinance.

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	Consolidated statement of assets and liabilities of the Group as at 31 December 2019	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	
Non-current assets				
Property, plant and equipment	3,652,657	—	—	3,652,657
Right-of-use assets	855,823	—	—	855,823
Investment properties	8,132,054	—	—	8,132,054
Joint ventures	12,734,445	—	—	12,734,445
Associates	3,141,999	2,393,167	6,000	5,541,166
Intangible assets	2,320	—	—	2,320
Financial assets at fair value through other comprehensive income	3,586,492	—	—	3,586,492
Mortgage loans receivable	1,187	—	—	1,187
Deferred tax assets	46,503	—	—	46,503
Other non-current assets	1,456,929	—	—	1,456,929
	33,610,409	2,393,167	6,000	36,009,576
Current assets				
Properties for or under development	6,765,078	—	—	6,765,078
Inventories	11,569,353	—	—	11,569,353
Trade and other receivables, deposits paid and prepayments	1,080,100	23,587	—	1,103,687
Derivative financial instruments	16,503	—	—	16,503
Taxation recoverable	6,489	—	—	6,489
Cash and bank balances	12,280,902	(779,203)	—	11,501,699
	31,718,425	(755,616)	—	30,962,809

	Consolidated statement of assets and liabilities of the Group as at 31 December 2019	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	
Current liabilities				
Trade and other payables, and deposits received	2,733,511	—	6,000	2,739,511
Contract liabilities	666,084	—	—	666,084
Lease liabilities	47,278	—	—	47,278
Bank borrowings	7,295,263	—	—	7,295,263
Medium term notes	3,170,586	—	—	3,170,586
Provision for employee benefits	11,231	—	—	11,231
Taxation payable	1,021,385	—	—	1,021,385
Loans from non-controlling interests	896,536	—	—	896,536
	15,841,874	—	6,000	15,847,874
Net current assets	15,876,551	(755,616)	(6,000)	15,114,935
Total assets less current liabilities	49,486,960	1,637,551	—	51,124,511
Non-current liabilities				
Contract liabilities	24,164	—	—	24,164
Lease liabilities	69,830	—	—	69,830
Bank borrowings	8,019,423	—	—	8,019,423
Deferred tax liabilities	912,951	—	—	912,951
Other non-current liabilities	—	1,608,001	—	1,608,001
	9,026,368	1,608,001	—	10,634,369
Net assets	40,460,592	29,550	—	40,490,142

Notes:

1. The audited consolidated statement of assets and liabilities of the Group as at 31 December 2019 is extracted, without adjustments, from the annual report of the Company for the year ended 31 December 2019.

2. On 29 June 2020, the Buyer, a wholly-owned of the Company, entered into the Agreement with the Vendor, to acquire 450 A Shares and 450 B Shares in the Target Company together with the shareholder's loan of approximately HK$23,587,000. The investment in the Target Company is calculated as follows:

	HK$'000
Base Consideration	2,361,196
Post-Completion Adjustment *(note a)*	26,008
Total Consideration *(note b)*	**2,387,204**
Shareholder's loan	(23,587)
Bargain purchase *(note c)*	29,550
Investment in the Target Company *(note d)*	**2,393,167**

(a) The Post-Completion Adjustment is calculated as the difference between the Actual Net Asset Value of A Fund and B Fund of the Target Company (being the Total Consideration) and the Base Consideration as set out in the Letter from the Board section of this circular. The Actual Net Asset Value of A Fund and B Fund of the Target Company as calculated below and as set out in the Letter from the Board section of this circular was approximately HK$2,387,204,000.

	A Fund	B Fund	Total
	HK$'000	*HK$'000*	*HK$'000*
Net assets as at 30 June 2020 per the accountant's report as set out in Appendix II to this circular	5,331,474	4	5,331,478
Less: Investment properties as at 30 June 2020 per the accountant's report as set out in Appendix II to this circular	(4,747,000)	—	(4,747,000)
Add: Agreed value of the Properties as set out in the Letter from the Board section of this circular	4,668,000	—	4,668,000
	5,252,474	4	5,252,478
Acquired 45% of total issued A shares and 100% of total issued B shares	2,363,613	4	2,363,617
Add: Shareholder's loan	23,587	—	23,587
Actual Net Asset Value	2,387,200	4	2,387,204

(b) As set out in the Letter from the Board section of this circular, the Total Consideration to be paid is approximately HK$2,387,204,000. Pursuant to the Agreement, approximately HK$779,203,000 was paid to the Vendor on 30 June 2020, approximately HK$779,203,000 will be paid to the Vendor on or before 30 June 2021 and the remaining balance of approximately HK$828,798,000 will be paid to the Vendor on or before 30 June 2022. The deferred consideration is subject to 2% interest per annum.

(c) The difference between the Total Consideration and the fair value of the identifiable assets and liabilities of A Fund and B Fund of the Target Company of approximately HK$29,550,000 is recorded as a bargain purchase in the Unaudited Pro Forma Financial Information. The investment properties of A Fund and B Fund of the Target Company are valued at approximately HK$4,747,000,000 as at 30 June 2020 with reference to the valuation report prepared by Cushman & Wakefield Limited, an independent valuer engaged by the Company. The bargain purchase recognised is the Group's portion of the difference between the fair value of the investment properties and the agreed value of the Properties of approximately HK$4,668,000,000 as set out in the Letter from the Board section of this circular, taking into account of the estimated legal and professional fees and other expenses of approximately HK$6,000,000 directly attributable to the Acquisition. Apart from the investment properties of A Fund and B Fund of the Target Company, the Directors consider that the book values of the remaining identifiable assets and liabilities approximate their fair values.

(d) Upon completion of the Acquisition, the Group will hold 55% of the total issued A Shares, 100% of the total issued B Shares and none of the total issued C Shares of the Target Company. The Target Group will be accounted for using the equity method of accounting in accordance with Hong Kong Accounting Standard 28 "Investments in Associates and Joint Ventures" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") in the consolidated financial statements of the Group. The entire investment cost in the Target Company is subject to impairment assessment in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" issued by the HKICPA as a single asset, by comparing its recoverable amount to its carrying amount, whenever there are indicators that the investment may be impaired. In the opinion of the Directors, there is no impairment on the investment in the Target Company as the assets and liabilities of the Target Group were carried at fair value at Completion.

The bargain purchase on Acquisition and the investment in the Target Company in relation to the Acquisition are subject to change upon confirmation of the final amount of legal and professional fees and other expenses directly attributable to the Acquisition which may be different from their estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information.

3. The adjustment represents estimated legal and professional fees and other expenses of approximately HK$6,000,000 directly attributable to the Acquisition, which the Directors confirm will be capitalised in full to the investment in the Target Company in accordance with the Company's accounting policies.

4. On 6 March 2020, the Group, China Travel International Investment Hong Kong Limited ("**CTII**") and Shun Tak — China Travel Shipping Investments Limited ("**STCTSI**") entered into a series of agreements whereby (i) the Group conditionally agreed to sell 21% equity interest in STCTSI to CTII for a cash consideration of HK$437 million (subject to adjustment); (ii) CTII conditionally agreed to sell China Travel Tours Transportation Development (HK) Limited ("**CTTT**") and CTTT's shareholder loan to STCTSI for a cash consideration of HK$508 million (subject to adjustment); and (iii) the Group conditionally agreed to sell Jointmight Investments Limited ("**Jointmight**") to STCTSI for a cash consideration of HK$55 million (subject to adjustment) (together, the "**STCTSI Transactions**"). Please refer to the Company's circular titled "Major and Connected Transaction in relation to a Cross Boundary Transportation Joint Venture Company" dated 26 March 2020 for more details on the STCTSI Transactions including the expected financial impact arising from the STCTSI Transactions. The STCTSI Transactions were completed on 16 July 2020.

5. No other adjustments (including the STCTSI Transactions set out in note 4 above) have been made to reflect any trading results or other transactions entered into by the Enlarged Group subsequent to 31 December 2019.

B. REPORT ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shun Tak Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shun Tak Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), together with Shun Tak Centre Limited (the "**Target Company**") and its subsidiaries (collectively the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2019 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-6 of the Company's circular dated 26 August 2020 (the "**Circular**") in connection with the acquisition of 450 A shares, 450 B shares and loan from shareholder of the Target Company (the "**Acquisition**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-6 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 December 2019 as if the Acquisition had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2019, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 August 2020

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this Circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the properties held by or to be acquired by Shun Tak Holdings Limited as at 31 May 2020.

CUSHMAN & WAKEFIELD
戴德梁行

16/F
Jardine House
1 Connaught Place
Central
Hong Kong

26 August 2020

The Directors
Shun Tak Holdings Limited
Penthouse 39/F, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

Re: Portfolio Valuation

INSTRUCTION, PURPOSE & VALUATION DATE

In accordance with the instructions of Shun Tak Holdings Limited (the "**Company**") for Cushman & Wakefield Limited ("**C&W**") to value the properties held by and the property to be acquired by the Company and/or its subsidiaries (collectively the "**Group**") situated in Hong Kong (as more particularly described in the attached valuation report), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the properties as at 31 May 2020 (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2017 issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuation is undertaken in accordance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2017 issued by The Hong Kong Institute of Surveyors.

Our valuation of each of the properties is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation of the properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that each of the properties is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

METHOD OF VALUATION

In the valuation of property 1, we have adopted the Income Approach by capitalising the rental income derived from the existing tenancies with due provision for any reversionary income potential. We have also made reference to comparable sales transactions for cross-checking purpose.

In the valuation of properties 2 and 3, we have adopted the Market Approach assuming sale of each of the properties in its existing state by making reference to comparable sales transactions as available in the relevant market.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, tenancy details, site and floor plans and all other relevant matters.

Dimensions and measurements are based on the copies of documents or other information provided to us by the Group and are therefore only approximations. No on-site measurement has been carried out. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry. However, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

SITE INSPECTION

Our valuers, Gordon Ng (MHKIS) and Terrence Lai (Probationer of HKIS), inspected the exterior and where possible the interior of the properties in June 2020. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

MARKET UNCERTAINTY

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the property is valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

CONFIRMATION OF INDEPENDENCE

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited

K. B. Wong
MRICS, FHKIS, RPS(GP)
Executive Director
Valuation & Advisory Services, Hong Kong

Note: Mr. K.B. Wong is a Registered Professional Surveyor who has over 30 years' experience in valuation of properties in Hong Kong. Mr. Wong is competent and has sufficient knowledge of the market and the skill to undertake the valuations.

SUMMARY OF VALUATIONS

Properties to be acquired by the Group for Investment

	Property	Market value in existing state as at 31 May 2020 *(HK$)*
1.	Units on the Basement, Ground, 1st, 2nd, 3rd and 4th Floors and Flat Roofs on the 4th, 7th and 8th Floors, Shun Tak Centre (Podium), 168-200 Connaught Road Central, Sheung Wan, Hong Kong	4,050,000,000
2.	The whole of 38th Floor (except Units Nos. 3807-3811 on 38th Floor) of West Tower and Car Park Nos. 15, 16, 17 and 18 on the 6th Floor together with their respective adjoining spaces, if any, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong	415,000,000
3.	81 car parking spaces on the 5th and 6th Floors, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong	282,000,000
	Total:	**4,747,000,000**

VALUATION REPORT

Properties to be acquired by the Group for Investment

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
1.	Units on the Basement, Ground, 1st, 2nd, 3rd and 4th Floors and Flat Roofs on the 4th, 7th and 8th Floors, Shun Tak Centre (Podium), 168-200 Connaught Road Central, Sheung Wan, Hong Kong 7181/33888th shares of and in Inland Lot No. 8517	Shun Tak Centre comprises two office towers erected over 2 car parking floors and a 6-storey (including a basement) commercial/hydrofoil terminal podium completed in 1986. The property comprises various retail and commercial units on the basement, ground, 1st, 2nd, 3rd and 4th floors of the commercial podium of the development. The total lettable area of the property is approximately 213,786 sq.ft. (19,861.20 sq.m.) with breakdown as follows:	As at the Valuation Date, portion of the property with a lettable area of about 19,999 sq.ft. (1,857.95 sq.m.) was vacant, the remainder of the property was subject to various tenancies with the latest tenancy due to expire in January 2026, mostly exclusive of rates, air-conditioning charges and management fees. The total monthly rent and licence income is approximately HK$13,800,000.	HK$4,050,000,000 (HONG KONG DOLLARS FOUR BILLION AND FIFTY MILLION)

Floor	Lettable Area sq.ft.	Lettable Area sq.m.
Basement	45,548	4,231.51
Ground	7,123	661.74
1st	21,105	1,960.70
2nd	64,711	6,011.81
3rd	47,428	4,406.17
4th	27,871	2,589.28
Total	**213,786**	**19,861.20**

The property also comprises the flat roofs on 4th, 7th and 8th floors of the podium of the development.

The property is held from the Government under Conditions of Grant No. UB11612 for a term of 75 years commencing from 31 December 1980 renewable for a further term of 75 years. The current Government rent payable for the subject lot is HK$1,000 per annum.

Notes:

(1) According to the land search records obtained from the Land Registry, the property comprises the following units:

Basement	:	Shop Units Nos. B01-B10;
Ground Floor	:	Shop Units Nos. G01 and G01A;
1st Floor	:	Shop Units Nos. 101, 102A, 102B, 102C and 103;
2nd Floor	:	Shop Units Nos. 201-212, 215A, 215-223, 223A, 225-231, 232A, 232B, 232-243, 243A, 245A-245C, 245-298, 298A-298F and 299;
3rd Floor	:	Shop Units Nos. 301-304, 305A, 305-329, 330A-330C, 331-343 and 345-347;
4th Floor	:	Shop Units Nos. 401, 403 and Flat Roof;
7th Floor	:	Flat Roof;
8th Floor	:	Flat Roof; and

Hotel/Apartment Area on Basement, Ground Floor, 1st Floor, 2nd Floor, 3rd Floor and 4th Floor.

(2) The registered owner of the property is Shun Tak Centre Limited.

(3) The property falls within a land use zone for "Commercial" purpose under Central District Outline Zoning Plan No. S/H4/17 dated 24 May 2019.

(4) Our key assumptions used in the valuation are summarized as below:

(i)	Market unit rent for retail unit	:	Approximately HK$14/sq.ft. to HK$450/sq.ft. on lettable area
(ii)	Capitalisation rate for retail unit	:	4.30% to 4.80%

VALUATION REPORT

Properties to be acquired by the Group for Investment

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
2.	The whole of 38th Floor (except Units Nos. 3807-3811 on 38th Floor) of West Tower and Car Park Nos. 15, 16, 17 and 18 on the 6th Floor together with their respective adjoining spaces, if any, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong 245/33888th shares of and in Inland Lot No. 8517	Shun Tak Centre comprises two office towers erected over 2 car parking floors and a 6-storey (including a basement) commercial/hydrofoil terminal podium completed in 1986. The property comprises seven office units on the 38th floor of a 31-storey office tower (West Tower) of Shun Tak Centre and 4 covered private carparks on the 6th floor of Shun Tak Centre. The total gross floor area of the office units of the property is approximately 13,827 sq.ft. (1,284.56 sq.m.). The property is held from the Government under Conditions of Grant No. UB11612 for a term of 75 years commencing from 31 December 1980 renewable for a further term of 75 years. The current Government rent payable for the subject lot is HK$1,000 per annum.	As at the Valuation Date, the property was owner-occupied.	HK$415,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND FIFTEEN MILLION)

Notes:

(1) The registered owner of the property is Shun Tak Centre Limited.

(2) The property falls within a land use zone for "Commercial" purpose under Central District Outline Zoning Plan No. S/H4/17 dated 24 May 2019.

(3) In undertaking our valuation, we have made reference to sales prices of comparable properties with a price range of approximately HK$24,770/sq.ft. to HK$33,000/sq.ft. gross. The unit rate assumed by us is consistent with the relevant comparables after adjustment of location, size, age, time and other relevant factors.

VALUATION REPORT

Properties to be acquired by the Group for Investment

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 May 2020
3.	81 car parking spaces on the 5th and 6th Floors, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong 324/33888th shares of and in Inland Lot No. 8517	Shun Tak Centre comprises two office towers erected over 2 car parking floors and a 6-storey (including a basement) commercial/hydrofoil terminal podium completed in 1986. The property comprises 81 car parking spaces located on the 5th and 6th floors of the development. The property is held from the Government under Conditions of Grant No. UB11612 for a term of 75 years commencing from 31 December 1980 renewable for a further term of 75 years. The current Government rent payable for the subject lot is HK$1,000 per annum.	As at the Valuation Date, the property was let on monthly or hourly basis and the average monthly income from June 2019 to May 2020 was approximately HK$653,000, exclusive of management fees, A/C charge and administrative fee.	HK$282,000,000 (HONG KONG DOLLARS TWO HUNDRED AND EIGHTY TWO MILLION)

Notes:

(1) The property comprises the following car parking spaces:

5th Floor	:	Car Park Nos. 13-52 and 60-64; and
6th Floor	:	Car Park Nos. 19-54.

(2) The registered owner of the property is Shun Tak Centre Limited.

(3) The property falls within a land use zone for "Commercial" purpose under Central District Outline Zoning Plan No. S/H4/17 dated 24 May 2019.

(4) In undertaking our valuation, we have made reference to sales prices of comparable properties with a price range of approximately HK$2,520,000 to HK$5,000,000 per space. The unit rate assumed by us is consistent with the relevant comparables after adjustment of location, size, age, time and other relevant factors.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(1) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange were as follows:

(a) Interests of the Directors in Shares and Underlying Shares of the Company

Name of director	Nature of Interests	Number of shares held: Personal interests	*Note*	Number of shares held: Corporate interests	*Note*	Approximate percentage of total issued shares *Note (i)*
Mr. Norman Ho	Interests in underlying shares	1,132,124	*(ii)*	—		0.04%
Mr. Charles Ho	Interests in underlying shares	1,132,124	*(ii)*	—		0.04%
Ms. Pansy Ho	Interests in issued shares	166,043,937		368,620,627	*(iv)*	17.70%
	Interests in issued shares	—		65,040,000	*(vi)*	2.15%
	Interests in unissued shares	—		148,883,374	*(iii)*	4.93%
Ms. Daisy Ho	Interests in issued shares	89,496,345		134,503,471	*(v)*	7.41%
	Interests in issued shares	—		65,040,000	*(vi)*	2.15%
	Interests in unissued shares	—		148,883,374	*(iii)*	4.93%
Ms. Maisy Ho	Interests in issued shares	38,901,203		31,717,012	*(vii)*	2.34%
Mr. David Shum	Interests in issued shares	5,660,377		—		0.19%

Notes:

(i) As at the Latest Practicable Date, the total number of issued shares of the Company was 3,021,479,785.

(ii) These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in the 2019 annual report of the Company dated 27 March 2020.

(iii) The 148,883,374 unissued shares in which Ms. Pansy Ho and Ms. Daisy Ho were deemed to hold interests under the SFO, are the same parcel of shares, and represents the maximum amount of consideration shares to be issued to Alpha Davis Investments Limited ("**ADIL**") pursuant to the agreement dated 1 November 2016 in relation to the extension of the long stop date of the sale and purchase agreement dated 11 November 2004 (and the supplemental agreements thereto) regarding the acquisition of sites in Nam Van District, Macau by the Group and the proposed transfer as described in the Company's circular dated 29 November 2016 (the "**Sai Wu Agreement**"). ADIL is owned as to 53% by Megaprosper Investments Limited ("**MIL**") which in turn is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho.

(iv) The 368,620,627 shares in which Ms. Pansy Ho was deemed to hold interests under the SFO, comprised 184,396,066 shares held by Beeston Profits Limited ("**BPL**") and 184,224,561 shares held by Classic Time Developments Limited ("**CTDL**"). Both BPL and CTDL are wholly-owned by Ms. Pansy Ho.

(v) The 134,503,471 shares in which Ms. Daisy Ho was deemed to hold interests under the SFO, were held by St. Lukes Investments Limited, which is wholly-owned by Ms. Daisy Ho.

(vi) The 65,040,000 shares in which Ms. Pansy Ho and Ms. Daisy Ho were deemed to hold interests under the SFO, were the same parcel of shares, held by MIL through its wholly-owned subsidiary, Business Dragon Limited (see note (iii) above).

(vii) The 31,717,012 shares in which Ms. Maisy Ho was deemed to hold interests under the SFO, were held by LionKing Offshore Limited, which is wholly-owned by Ms. Maisy Ho.

(b) Interests of the Directors in Shares and Underlying Shares of Other Associated Corporations of the Company

Name of Director	Name of company	Corporate interests	Percentage of total issued shares *Note (i)*
Ms. Pansy Ho	Shun Tak & CITS Coach (Macao) Limited	1,500 shares	15.00%

Note:

(i) As at the Latest Practicable Date, there was a total of 10,000 shares of Shun Tak & CITS Coach (Macao) Limited in issue.

All the interests disclosed in paragraphs (a) and (b) above represented long position interests in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO). Save as disclosed in the above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or any of their associates had, or were deemed to hold, any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(2) Interests of substantial Shareholders and Other Persons in the Company

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who were or were expected, directly or indirectly, interested in 5% or more of the issued share capital of the Company were as follows:

Name of shareholder	*Note*	**Nature of interests**	**Capacity**	**Long position/ short position**	**Number of shares/ underlying shares held**	**Approximate percentage of total issued shares** *Note (i)*
Renita Investments Limited ("**Renita**") and its subsidiary	*(ii)*	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	500,658,864	16.57%
Oakmount Holdings Limited ("**Oakmount**")	*(ii)*	Interests in issued shares	Beneficial owner	Long position	396,522,735	13.12%
Shun Tak Shipping Company, Limited ("**STS**") and its subsidiaries	*(iii)*	Interests in issued shares	Beneficial owner and interests of controlled corporation	Long position	373,578,668	12.36%

Name of shareholder	Note	Nature of interests	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of total issued shares *Note (i)*
Beeston Profits Limited ("**BPL**")	*(iv)*	Interests in issued shares	Beneficial owner	Long position	184,396,066	6.10%
Classic Time Developments Limited ("**CTDL**")	*(iv)*	Interests in issued shares	Beneficial owner	Long position	184,224,561	6.10%
Megaprosper Investments Limited ("**MIL**")	*(v)*	Interests in issued shares	Interest of controlled corporation	Long position	65,040,000	2.15%
	(vi)	Interests in unissued shares	Interest of controlled corporation	Long position	148,883,374	4.93%

Notes:

(i) As at the Latest Practicable Date, the total number of issued Shares of the Company was 3,021,479,785.

(ii) These 500,658,864 shares comprised 396,522,735 shares held by Oakmount, which is wholly-owned by Renita. Accordingly, part of the interests of Renita in the Company duplicates the interests of Oakmount in the Company. Ms. Pansy Ho, Ms. Daisy Ho and Ms. Maisy Ho have beneficial interests in Renita and Oakmount. Both Ms. Pansy Ho and Ms. Daisy Ho are directors of Renita and Oakmount.

(iii) Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum hold beneficial interests in, and are directors of, STS.

(iv) Ms. Pansy Ho has 100% interests in and is a director of BPL and CTDL.

(v) MIL is owned as to 51% by Ms. Pansy Ho and 39% by Ms. Daisy Ho. Ms. Pansy Ho and Ms. Daisy Ho are directors of MIL. These 65,040,000 shares were held by Business Dragon Limited, a wholly-owned subsidiary of MIL.

(vi) The 148,883,374 unissued shares represented the maximum amount of consideration shares to be issued to Alpha Davis Investments Limited ("**ADIL**") pursuant to the Sai Wu Agreement. ADIL is owned as to 53% by MIL.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, no other persons (not being a Director or chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who were or were expected, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ARRANGEMENTS

(1) Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum hold beneficial interests in Sociedade de Turismo e Diversões de Macau, S.A. ("**STDM**"). Ms. Pansy Ho and Mr. David Shum are directors of STDM. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, which is a corporate director of STDM. Ms. Maisy Ho is an appointed representative of the Company, which is a corporate director of STDM. On 22 February 2019, the Company entered into a renewed master products and services agreement with STDM for a term of 3 years from 1 January 2019 to 31 December 2021 (the "**Renewed Master Products and Services Agreement**"). The Renewed Master Products and Services Agreement set out a framework for the provision of products and services below by the Group to the STDM Group, and vice versa, from time to time on a non-exclusive basis.

- provision of products and services by the Group to the STDM Group including the following:

  (i) sale of ferry tickets;

  (ii) sale of travel and transportation products and provision of travel agency services, including but not limited to hotel accommodation, cruise, taxi services and ticketing;

  (iii) provision of management and operation services to hotels and other hospitality properties and business owned by the STDM Group including but not limited to the Grand Lapa Hotel, the Grand Coloane Resort and Macau Tower Convention & Entertainment Centre;

  (iv) provision of other property related services including but not limited to property management, sale, leasing, project management, cleaning and other services to various properties owned by the STDM Group; and

  (v) provision of business support services including but not limited to laundry, company secretarial services, promotion and advertising, office administrative services and concierge services.

- provision of the products and services by the STDM Group to the Group including the following:

  (i) sale of travel products including but not limited to hotel accommodation, tourist spot tickets, local tour and helicopter tickets to the travel agency arm of the Group; and

  (ii) provision of business support services including but not limited to towage and associated marine operation services.

(2) On 27 December 2019, the Company and MGM Grand Paradise Limited, a company in which Ms. Pansy Ho has indirect beneficial interest ("**MGM**") entered into a renewed master service agreement (the "**Renewed MGM Agreement**") for a term of 3 years from 1 January 2020 to 31 December 2022. The Renewed MGM Agreement governs the terms for the provision of products and services, including but not limited to, ferry tickets, travel products and rental of hotel rooms between the MGM and/or its subsidiaries and the Group.

Save for the contracts disclosed in this section, none of the Director was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS AND OTHER INTERESTS

Since 31 December 2019, being the date to which the latest published audited accounts of the Company have been made up and as at the Latest Practicable Date, the Group entered into or proposed to enter into:

(i) one lease agreement with STDM. The Group, as lessee and STDM, as lessor entered into a lease agreement for the use of certain premises at Shun Tak Centre in Hong Kong for a term of not exceeding three years by STDM for an aggregate basic annual rent of approximately HK$14.5 million; and

(ii) 10 license or lease agreements with Shun Tak Centre Limited ("**STC**"). As at the Latest Practicable Date, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are directors of STC. The Group, as licensee and STC, as licensor entered into various agreements for the use of certain premises at Shun Tak Centre in Hong Kong for a term of not exceeding three years by STC for an aggregate basic annual rent of approximately HK$11.2 million.

Save as disclosed above and herein, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which are or may be material:

(1) the sale and purchase agreement dated 28 August 2018 entered into between Pleasant Grace Limited (an indirect wholly-owned subsidiary of the Company) as buyer, the Company as guarantor of the buyer and Full Energy Company Limited as seller for the acquisition of 100 class A shares of STC, representing 10.0% of the total issued class A shares of STC, for a base consideration of HK$442 million (subject to adjustments), details of which were set out in the announcement of the Company dated 28 August 2018;

(2) the sale and purchase agreement dated 18 December 2019 entered into between Shanghai Tongxin Investment Company Limited* (上海潼信投資有限公司) (an 80% owned joint venture company of the Company) as purchaser and Shenzhen OCT Properties Co., Ltd* (深圳華僑城房地產有限公司) as vendor for the acquisition of the 50% equity interest in Shanghai Huahe Real Estate Development Company Limited* (上海華合房地產開發有限公司) for a consideration of RMB2,228 million, details of which were set out in the announcement of the Company dated 4 December 2019 and the circular of the Company dated 26 March 2020;

(3) the sale and purchase agreement dated 18 December 2019 entered into between Shanghai Suzuan Investment Company Limited* (上海蘇鑽投資有限公司) (an 80% owned joint venture company of the Company) as purchaser and Shenzhen OCT Properties Co., Ltd* (深圳華僑城房地產有限公司) as vendor for the acquisition of the 50% equity interest in Shanghai Huayan Real Estate Development Company Limited* (上海華筵房地產開發有限公司) for a consideration of RMB2,484.25 million, details of which were set out in the announcement of the Company dated 4 December 2019 and the circular of the Company dated 26 March 2020;

(4) the sale and purchase agreement dated 6 March 2020 entered into between Interdragon Limited (a non wholly-owned subsidiary of the Company) as seller and Dalmore Investments Limited as buyer for the acquisition of 21% of the issued share capital of STCTSI (a non wholly-owned subsidiary of the Company), for a consideration of approximately HK$437 million (subject to adjustment), details of which were set out in the announcement of the Company dated 6 March 2020 and the circular of the Company dated 26 March 2020;

(5) the sale and purchase agreement dated 6 March 2020 entered into between STCTSI as buyer and Shun Tak Tourism Investment Holdings Limited as seller for the acquisition of the entire issued share capital of Jointmight Investments Limited for a consideration of approximately HK$55 million (subject to adjustment), details of which were set out in the announcement of the Company dated 6 March 2020 and the circular of the Company dated 26 March 2020;

(6) the sale and purchase agreement dated 16 April 2020 entered into between Simply Swift Limited (an indirect wholly-owned subsidiary of the Company) as buyer and Perennial Singapore Investment Holdings Pte. Ltd. as seller in relation to the acquisition of (i) 30% of the total issued ordinary shares in the capital of Perennial Somerset Investors Pte. Ltd., (ii) 30% of the total issued redeemable preference shares in the capital of Perennial Somerset Investors Pte. Ltd. and (iii) 30% of the total bearer bonds issued by Perennial Somerset Investors Pte. Ltd.), details of which were set out in the announcement of the Company dated 16 April 2020; and

(7) the Agreement.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or may not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

8. COMPETING INTERESTS

The Directors named in the paragraphs below hold interests in businesses which are considered to compete or likely to compete, either directly or indirectly, with the Group's businesses as at the Latest Practicable Date.

As at the Latest Practicable Date, Ms. Pansy Ho, Ms. Daisy Ho, Ms. Maisy Ho and Mr. David Shum are directors of STC which is also engaged in the business of property investment. As at the Latest Practicable Date, Ms. Pansy Ho and Mr. David Shum are directors of STDM which is also engaged in the businesses of property investment, property development and/or hospitality. Ms. Daisy Ho is an appointed representative of Lanceford Company Limited, a corporate director of STDM. Ms. Maisy Ho is an appointed representative of the Company, a corporate director of STDM.

The above-mentioned competing businesses are managed by separate entities with independent management and administration. The Directors are of the view that the Group is capable of carrying on its businesses independently of, and at arm's-length from, the businesses of these entities. When making decisions, the relevant Directors, in performance of their duties as Directors of the Company, have acted and will continue to act in the best interests of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. MATERIAL ADVERSE CHANGE

The Directors are of the opinion that there are no material adverse changes in the financial or trading position of the Group since the date to which the latest published audited accounts of the Company have been made up.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions, letter or advices contained in this circular:

Name	Qualification
PricewaterhouseCoopers ("**PwC**")	Certified Public Accountants
Bruce C. Y. Chui & Co.	Certified Public Accountants
Cushman & Wakefield Limited	independent property valuer

As at the Latest Practicable Date, each of the experts above does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2019 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, valuation certificate and/or references to its name in the form and context in which they are included.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at Penthouse 39th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:30 p.m., Mondays to Fridays (except public holidays), for a period of 14 days from the date of this circular:

(a) the articles of association of the Company;

(b) the annual reports of the Company for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019;

(c) the accountants' reports on the financial information of the Target Company prepared by Bruce C. Y. Chui & Co., the text of which is set out in Appendix II of this circular;

(d) the report from PwC in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV of this circular;

(e) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(f) the property valuation report referred to in Appendix V to this circular;

(g) the written consent of the experts referred to in the paragraph headed "Experts and Consents" in this appendix;

(h) the circular in relation to the acquisition of 50% of the equity interests in two project companies dated 26 March 2020;

(i) the circular in relation to the major and connected transaction regarding a cross boundary transportation joint venture company dated 26 March 2020; and

(j) this circular.

12. MISCELLANEOUS

(a) The secretary of the Company is Ms. Tsang Mei Chu, Angela. She is a fellow member of The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is located at Penthouse 39th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

(c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English language text of this circular shall prevail.